

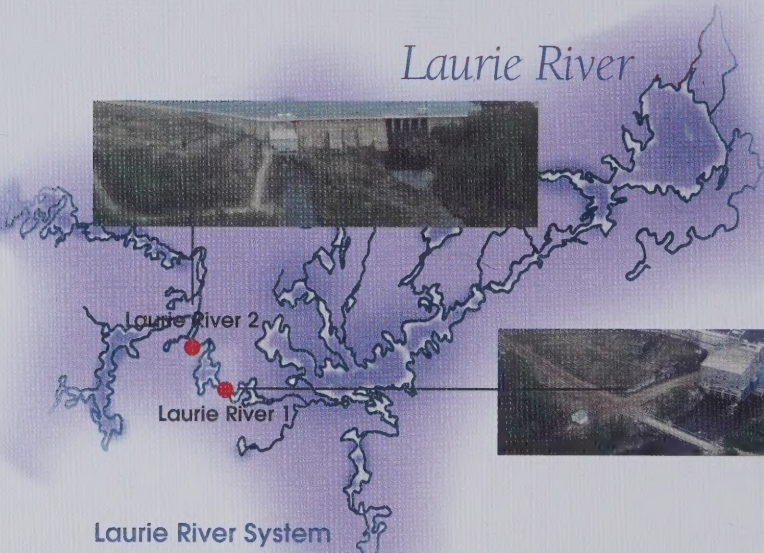
AR78

Manitoba Hydro-Electric Board 54th Annual Report
For The Year Ended March 31, 2005



Manitoba Hydro's Hydroelectric Generating Stations

Laurie River



Laurie River System

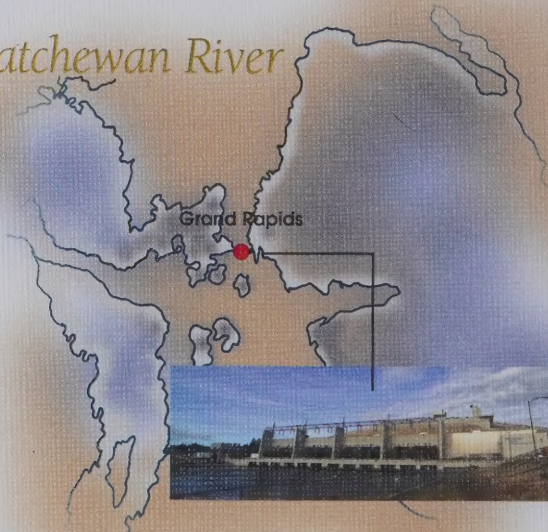
Laurie River 1

Construction completed: 1952
Capability: 5 MW
Number of units: 2

Laurie River 2

Construction completed: 1958
Capability: 5 MW
Number of units: 1

Saskatchewan River



Saskatchewan River System

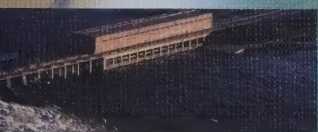
Grand Rapids

Construction completed: 1968
Capability: 479 MW
Number of units: 4

Note: For a complete overview of Manitoba Hydro's generating stations (including thermal and diesel), transmission system, interconnections, and natural gas network, see the map on page 90.



Nelson River



Kelsey

Nelson River System

Kelsey

Construction completed: 1961
Capability: 223 MW
Number of units: 7

Kettle

Construction completed: 1973
Capability: 1220 MW
Number of units: 12

Jenpeg

Construction completed: 1979
Capability: 131 MW
Number of units: 6

Limestone

Long Spruce

Kettle

Long Spruce

Construction completed: 1979
Capability: 1010 MW
Number of units: 10

Limestone

Construction completed: 1990
Capability: 1340 MW
Number of units: 10

Winnipeg River System

Pointe du Bois

Construction completed: 1926
Capability: 78 MW
Number of units: 16

Great Falls

Construction completed: 1928
Capability: 133 MW
Number of units: 6

Slave Falls

Construction completed: 1948
Capability: 67 MW
Number of units: 8

Seven Sisters

Construction completed: 1952
Capability: 165 MW
Number of units: 6

Pine Falls

Construction completed: 1952
Capability: 88 MW
Number of units: 6

McArthur

Construction completed: 1955
Capability: 55 MW
Number of units: 8

Winnipeg River



Pine Falls

McArthur

Great Falls

Pointe du Bois

Slave Falls

Seven Sisters

Our Water Resources:

Clean, Reliable, and Renewable

COVER

A peaceful prairie sky above Lake Winnipeg, the 11th largest freshwater lake in the world and an essential component of Manitoba's hydroelectric system.

Photo: Travel Manitoba

Manitoba's prosperity and growth is, in many ways, linked to its ubiquitous rivers and lakes. Serving first as transportation and exploration routes, these same waterways became the source for the development of clean, renewable, and affordable hydroelectric energy at the beginning of the 20th century.

Manitoba's power pioneers long ago recognized the hydroelectric potential of the province's abundant water resources. After the construction of generating stations on the Winnipeg River in the early part of the century, power planners turned their attention northward, to the Saskatchewan and Nelson rivers.

With the technological advances made in high voltage direct current technology in the 1960s, development of the Nelson River became possible. Regulating Lake Winnipeg for hydroelectric purposes and flood protection was a key ingredient in the development of the Nelson River generating stations. In addition, the diversion of the Churchill River greatly enhanced the capability of the generating stations along the Nelson.

Over a period of approximately 80 years, a total of 14 generating stations have been built on the Winnipeg, Saskatchewan, Nelson, and Laurie rivers, responsible for generating 98 per cent of the electrical energy in the province. Pointe du Bois, our oldest station, has a capability of 78 megawatts, while the most recent, Limestone, has a capability of 1 340 megawatts.

Other potential generating sites identified on the Nelson, Churchill, and Burntwood rivers promise an additional 5 000 megawatts of power, approximately doubling Manitoba Hydro's existing capability. New generating projects currently in the planning stages, which include Wuskwatim, Conawapa and Keeyask*, represent about 2 000 megawatts of that potential.

The recovery from the drought of the two previous years was very significant for Manitoba Hydro. Above-normal precipitation in the spring and summer of 2004 led to greatly improved hydroelectric generating conditions. The dramatic improvement in water levels and flows enhanced the Corporation's operational and financial health, contributing to positive net income for the fiscal year.

*Keeyask, which is a Cree word meaning gull, is located at Gull Rapids on the Nelson River.

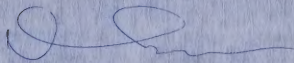
LETTER OF TRANSMITTAL July 29, 2005

Honourable David Chomiak
Minister Charged with the Administration of
The Manitoba Hydro Act
Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Minister:

I have the honour of presenting the 54th Annual Report of
The Manitoba Hydro-Electric Board, together with the
financial statements, for the fiscal year ended March 31, 2005.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Victor H. Schroeder', with a stylized flourish at the end.

Victor H. Schroeder, Q.C.
Chairman,
The Manitoba Hydro-Electric Board

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CORPORATE PROFILE

Manitoba Hydro is a provincial Crown Corporation providing electric energy to 506 000 customers throughout the province and natural gas service to 256 000 customers in various communities. The Corporation also exports electricity to over 50 electric utilities and marketers in the mid-western U.S., Alberta, Saskatchewan, and Ontario.

Manitoba Hydro offers its customers a wide range of energy services, either directly or through its subsidiaries. In addition to providing electricity and natural gas services, the Corporation actively promotes energy conservation and savings through its many Power Smart* programs. A respected corporate citizen, Manitoba Hydro is well-known for its support and generosity regarding special causes and events in the province. The utility is also known nationally for its quality of service and reliability and worldwide for its expertise in high voltage direct current (HVDC) transmission.

Nearly all of Manitoba Hydro's electricity is generated from self-renewing waterpower. On average, about 30 billion kilowatt-hours of electricity are generated annually, with 98 per cent of the total produced from 14 hydroelectric generating stations on the Winnipeg, Saskatchewan, Laurie, and Nelson rivers. About two per cent of the province's energy needs are produced from two thermal generating stations and four remote diesel generating stations.

Manitoba Hydro also delivers natural gas to nearly 100 communities in the province, using approximately 8 638 kilometres of pipelines. On average, about 2.1 billion cubic metres of natural gas are delivered through the system annually.

The Corporation's capital assets in service at original cost exceed \$10 billion, making Manitoba Hydro one of the largest energy utilities in Canada. The governance of the Corporation is through The Manitoba Hydro-Electric Board, whose members are appointed by the Lieutenant-Governor in Council.

*Manitoba Hydro is a licensee of the Trademark and Official Mark.

Vision

To be the best utility in North America with respect to safety, rates, reliability, customer satisfaction and environmental management, and to always be considerate of the needs of customers, employees, and stakeholders.

Mission

To provide for the continuance of a supply of energy to meet the needs of the province and to promote economy and efficiency in the development, generation, transmission, distribution, supply, and end-use of energy.

Goals

- Continuously improve safety in the work environment.
- Provide customers with exceptional value (rates, service, public safety, reliability, and power quality).
- Be a leader in strengthening working relationships with Aboriginal Peoples.
- Improve corporate financial strength.
- Maximize export power net revenues.
- Have highly skilled, effective, innovative employees and a diverse workforce that reflects the demographics of Manitoba.
- Be proactive in protecting the environment and the leading utility in promoting sustainable energy supply and service.
- Be an outstanding corporate citizen.
- Proactively support agencies responsible for business development in Manitoba.
- Be a leader in implementing cost-effective energy conservation and alternative energy programs.

HIGHLIGHTS

- The dramatic improvement in the province's water conditions continued throughout the year, enhancing the Corporation's operational and financial health. As a result, Manitoba Hydro posted a net income of \$136 million.
- Manitoba Hydro announced it would be doubling its Power Smart energy savings to date over the next 13-year period. Now set at 842 megawatts of capacity and 2 637 gigawatt-hours per year of consumption by the year 2018, the new targets approximately double the savings already achieved from 1991 to 2004. In the fiscal year, the Corporation also committed to increasing efficiencies in natural gas usage.
- Manitoba's Clean Environment Commission recommended the Wuskwatim Generating Station and Transmission Project be licensed. Manitoba Hydro and the Nisichawayasihk Cree Nation moved forward with finalizing the details of their partnership agreement on the station.
- The Fox Lake Cree Nation and War Lake First Nation ratified settlement agreements with the Province of Manitoba and Manitoba Hydro that address adverse effects of past hydroelectric development in the lower Nelson River area.
- A new record peak for electricity consumption was recorded on January 17, 2005 of 4 146 megawatts.
- Manitoba Hydro signed a 25-year Power Purchase Agreement with AirSource Power to purchase electricity from Manitoba's first wind farm. The 99 megawatt project, located near the town of St. Leon, Manitoba, will result in the installation of 63 wind turbine generators over two phases. When complete, the wind farm will be among Canada's largest.
- A final concept was chosen for Manitoba Hydro's new downtown office headquarters in Winnipeg. Designed to be a world-leading energy-efficient structure, the new building is scheduled for occupancy in late 2007.
- A general electricity rate increase of 5% for residential, commercial, and industrial customers was applied in August 2004. No residential rate increase has occurred since 1997 and no large industrial customer rate increase since 1992.
- An agreement was reached with the diesel-served First Nation communities of Shamattawa, Brochet, Lac Brochet, and Tadoule Lake which resulted in significantly reduced electricity rates in those communities. The agreement provides for reduced operating costs in recognition of up-front contributions for capital facilities.

HIGHLIGHTS

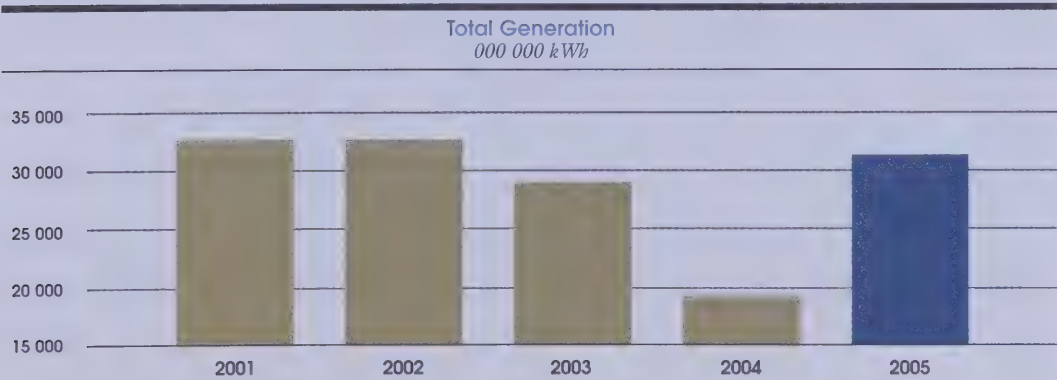
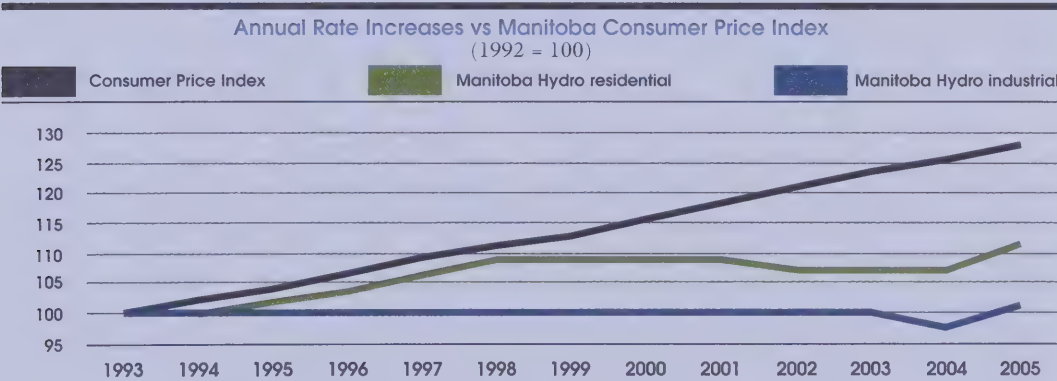
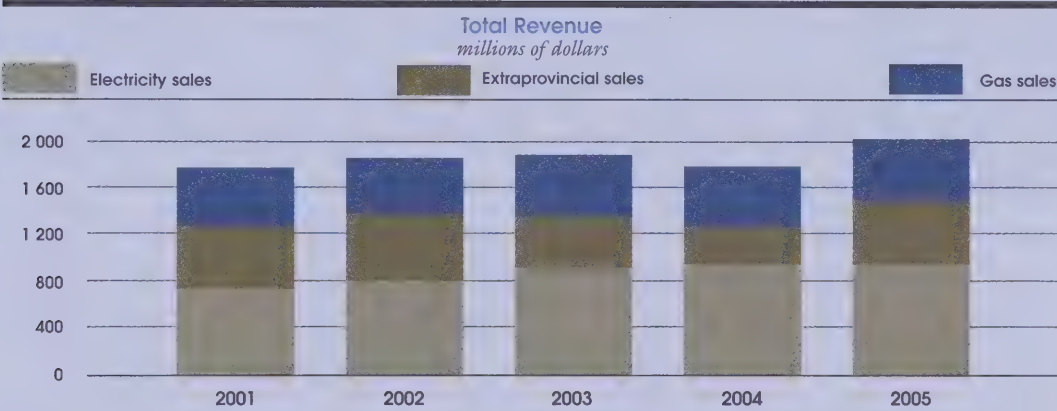
Consolidated Financial Results

	Electricity		Natural Gas		Total	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
	<i>millions of dollars</i>					
Revenue						
Manitoba	954	936	509	494	1 463	1 430
Extraprovincial	554	351	—	—	554	351
	<u>1 508</u>	<u>1 287</u>	<u>509</u>	<u>494</u>	<u>2 017</u>	<u>1 781</u>
Expenses	1 363	1 711	115	112	1 478	1 823
Cost of gas sold	—	—	384	375	384	375
Corporate allocation	7	4	12	15	19	19
	<u>1 370</u>	<u>1 715</u>	<u>511</u>	<u>502</u>	<u>1 881</u>	<u>2 217</u>
Net income (loss)	<u>138</u>	<u>(428)</u>	<u>(2)</u>	<u>(8)</u>	<u>136</u>	<u>(436)</u>
Retained earnings	<u>845</u>	<u>707</u>	<u>25</u>	<u>27</u>	<u>870</u>	<u>734</u>

Operating Results

Electrical operations	2004-05	2003-04	Increase (Decrease)
Sales	<i>billions of kWh</i>		
Manitoba sales	19.7	19.3	0.4
Extraprovincial sales	10.8	7.0	3.8
System supply	<i>billions of kWh</i>		
Generation	31.5	19.3	12.2
Imports	1.3	7.1	(5.8)
Manitoba peak load	<i>thousands of kW</i>		
	4 146	3 959	187
Natural gas deliveries	<i>millions of cubic metres</i>		
Residential sales	681	653	28
Commercial and industrial sales	917	893	24
	1 598	1 546	52
Transportation service	559	577	(18)
	<u>2 157</u>	<u>2 123</u>	<u>34</u>

HIGHLIGHTS



CHAIRMAN'S MESSAGE



The Manitoba Hydro-Electric Board was pleased to see the improvement in water conditions last year, and the resultant return to more normal operating circumstances. Inevitably, dry conditions hamper hydroelectric production from time to time and the Corporation must, and does, anticipate and plan for such occasions. While our reservoirs are full and we look forward to another good year, our thoughts are with those who are suffering the results of recent downpours.

On other fronts, much progress was made during the year in achieving the goals that the Corporation establishes for itself.

The Corporation has doubled its Power Smart targets, to 842 megawatts and 2 637 gigawatt-hours per year of electricity by 2018. Manitoba Hydro is already an industry leader in promoting energy efficiency to its customers, saving money for Manitobans and allowing the electricity saved to be sold on the export market. By educating and encouraging Manitobans to use energy wisely, we are helping to create a new consciousness

among Manitobans about energy use.

A study undertaken by Ontario and Manitoba into the feasibility of increased electricity sales was released in September 2004. It revealed significant benefits arising from an east-west energy grid and the development of additional new hydroelectric generating facilities in northern Manitoba. This increased energy trade could assist Ontario in its goal of replacing production from its coal generating facilities, thereby reducing pollution and cutting back on greenhouse gas emissions.

In October, 2004, Manitoba Hydro signed an agreement with AirSource Power to purchase electricity from Manitoba's first wind farm. This is an exciting new era for the Corporation as it examines the potential of wind to add to the renewable energy options available to complement the province's substantial hydroelectric resource. In addition, the Corporation is looking at other forms of potential electricity generation, including biomass and tapping into landfill sites to extract methane gas to power a micro-turbine. As technology offers new economic possibilities for the production of electricity, the Corporation will be adopting a range of new ways to provide for the energy needs of Manitobans.

The Board was pleased to note the continued high satisfaction levels of Manitoba Hydro customers with respect to the service provided by the utility. The Corporation consistently surpasses the average results for other Canadian electric utilities and this continues to be an important benchmark to ensure that customer expectations are being met.

For several years now, I have noted in my message the continued improvement being shown in the relationship between the Corporation and the Aboriginal population in Manitoba. Excellent progress continues to be made in rectifying impacts from past projects and forging new relationships based on shared benefits and mutual trust. For the first time ever a Manitoba First Nation, Nisichawayasihk Cree Nation (NCN) appeared as a project co-proponent at a regulatory hearing into a new generating facility, the proposed Wuskwatim Generating Station. If all the licenses and approvals are received for the project, NCN members will vote on a project development agreement that would make them partners in the new generating station.

On many other fronts, such as training for future project work or enhancing Aboriginal employment in the Corporation generally, Manitoba Hydro continues to make extraordinary efforts to reach out to the Aboriginal community in Manitoba, and in doing so, is forming strong new bonds with the province's Aboriginals.

The Board would like to acknowledge the efforts of Manitoba Hydro employees during the year to continue to provide a high level of customer service and to plan to meet the future energy needs of Manitobans.

Victor H. Schroeder, Q.C.

A handwritten signature in dark ink, appearing to read 'Victor H. Schroeder'.

Chairman, The Manitoba Hydro-Electric Board

PRESIDENT and CHIEF EXECUTIVE OFFICER'S MESSAGE



I would like to acknowledge the efforts of our employees and the cooperation of our unions and associations during the year. We undertook many new projects and initiatives, in addition to the ongoing challenges of extending and maintaining the electricity and gas infrastructure throughout Manitoba.

After an extended drought, we returned to normal water conditions this past year. This greatly improved our financial results. In addition, there were a number of significant developments on key projects that will impact the future of the Corporation.

After extensive public hearings before the Clean Environment Commission, the regulatory body recommended that the licensing of the Wuskwatim Generating Station proceed. The station is a joint proposal between Manitoba Hydro and the Nisichawayasihk Cree Nation (NCN). Pending provincial and federal government approval and a community vote on the project development agreement, preliminary construction on the project is expected to get underway by the end of 2005. This is an

unprecedented arrangement for the development of a new hydroelectric facility in Manitoba wherein the local community has been consulted and involved from the very early stages of planning for the project.

NCN has chosen to participate in virtually all aspects of developing the project, including influencing the final design so as to minimize flooding, and participating in the oversight of the environmental studies. They have brought their own traditional knowledge to bear on assessing the environmental impacts of the project. If the community approves, they will become a partner in the ownership of the Wuskwatim Generating Station and will be investing its own resources in the new facility. The project will thereby yield ongoing benefits for future generations of NCN members, as well as all other Manitobans.

Planning with respect to the environmental assessment of the 620 megawatt Keeyask Generating Station continued in the year and included collaboration with four Cree Nations in the lower Nelson River region: Tataskweyak Cree Nation (TCN), War Lake First Nation, Fox Lake Cree Nation and York Factory First Nation.

I am pleased with the establishment of a consortium of groups that have as their goal the training of northern Aboriginal people to prepare them to take advantage of the employment opportunities on the proposed Wuskwatim and Keeyask projects. The consortium is made up of NCN, TCN, War Lake First Nation, York Factory First Nation, Fox Lake Cree Nation, Manitoba Keewatinowi Okimakanak (MKO), Manitoba Métis Federation, Manitoba Hydro and the Province of Manitoba. Under the initiative, more than 1 000 northern Aboriginal people will receive training in a broad range of skills. Already, approximately 460 people have received training in various skills and trades, including welding, carpentry, ironworking and heavy equipment operating.

Another exciting development for the Corporation was continued progress on a new downtown head office building. A full city block in downtown Winnipeg was acquired as the location for the new office tower, and the detailed design work was underway as the fiscal year ended. The new building will incorporate the latest techniques and technology for energy conservation and is expected to be the most energy efficient office building of its size in the world when completed. It will also become a landmark building in Winnipeg with a distinctive signature design.

For the first time, Manitoba Hydro will be incorporating a major wind energy source in its options for the supply of electricity in the province. During the year we signed an agreement to purchase wind energy from AirSource Power from a wind farm located near the town of St. Leon. This 99 megawatt project will involve the installation of 63 wind turbines and will be one of the largest wind farms on the continent when completed. Manitoba Hydro believes that wind power is another renewable source of power that can compliment our existing hydroelectric supply. The Corporation is working with the Manitoba Government to examine the feasibility of additional supplies of wind power that might be added to the grid in future years.

PRESIDENT and CHIEF EXECUTIVE OFFICER'S MESSAGE

Manitoba Hydro's Power Smart programs continue to grow in number and offer Manitobans more ways to save electricity and money. The new Compact Fluorescent Lighting Campaign resulted in the distribution of 81 000 compact fluorescent lights to 22 000 residential customers in a "buy-one-get-two-free" promotion. These lights use 75 per cent less energy than conventional incandescent lights.

More than 5 000 in-home energy evaluations were conducted by Manitoba Hydro's energy advisors, and more than 17 000 Manitobans have taken advantage of the Power Smart Residential Loan Program.

As a result of Manitoba Hydro's Earth Power Program, promoting the benefits of geothermal heat pumps, Manitobans lead the nation in the adoption of this technology for heating and cooling their homes. In total, 770 geothermal heat pumps were installed in the province during the year and Manitoba now accounts for 25 per cent of total heat pump installations in Canada.

During the year, Manitoba Hydro established a new Power Smart Commercial Sales Group, which delivers commercial programs to small and medium-sized businesses.

Manitoba Hydro received a Best Practices Award during 2004-05 from the Canadian Energy Efficiency Alliance for its Power Smart Commercial Lighting Program.

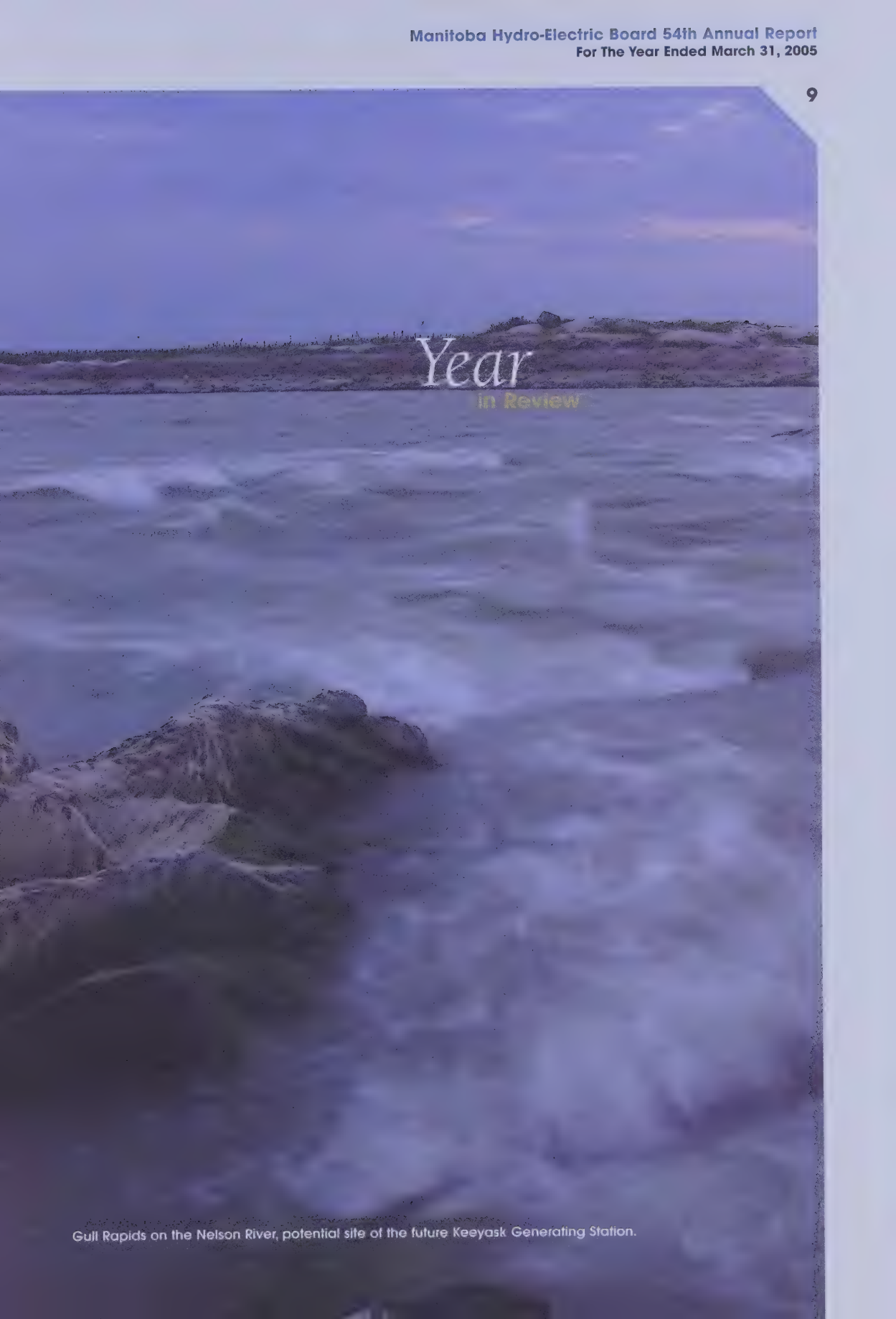
The Corporation continued to make concerted efforts to improve employee and public safety. Active public safety information campaigns are targeted at groups that have demonstrated a likelihood of electrical contact, such as farmers moving large pieces of equipment. Safety remains a top priority for Manitoba Hydro and we continue to expect ongoing improvement in this area.

The Manitoba Hydro-Electric Board is appointed by the Government of Manitoba and is charged with the responsibility to carry out the duties, powers and functions of Manitoba Hydro as set out in The Manitoba Hydro Act. The Board has the statutory authority and obligation to oversee the management of the business and affairs of the Corporation and to ensure that the Corporation fulfills its statutory obligations in the public interest. I would like to acknowledge the contributions of Board Chairman Victor Schroeder and his colleagues on the Board in the achievements of the Corporation and for their guidance and assistance during the past year.



R.B. Brennan, F.C.A.

President and Chief Executive Officer



Year in Review

Gull Rapids on the Nelson River, potential site of the future Keeyask Generating Station.





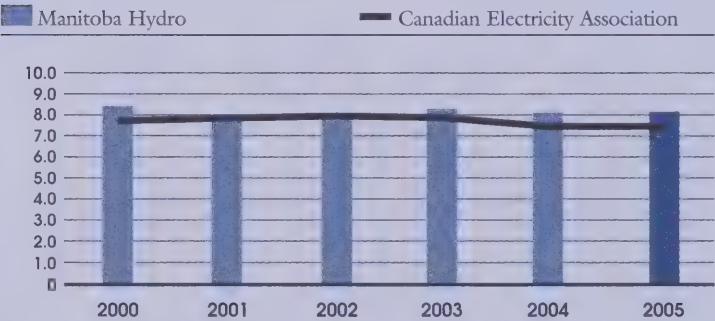
**CUSTOMER
SERVICE**

CUSTOMER SATISFACTION

Consistent with previous years, Manitoba Hydro's 2004 Customer Satisfaction Survey provided high marks in terms of overall customer service. The Corporation scored an 8.2 on a 10-point scale, indicating a continued high level of satisfaction with regard to how the Corporation serves its customers. On the same survey, the corporate image rating also scored an 8.2 on a 10-point scale, another indication of positive feelings about Manitoba Hydro from its customers. The performance in overall customer service was also higher than the Canadian Electricity Association's national average of 7.4 for other Canadian electric utilities.

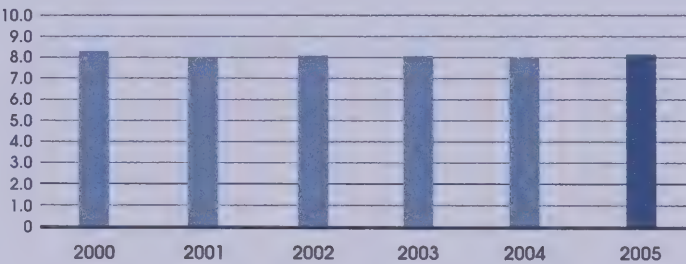
Customer Satisfaction with Overall Service

Source: Manitoba Hydro quarterly Customer Satisfaction Tracking Study



Corporate Image Index

Source: Manitoba Hydro quarterly Customer Satisfaction Tracking Study



Previous page and above: Manitoba Hydro's Tom Garbolinski (right) and Project Manager Bob Downs visit Shindico Realty's new corporate headquarters in Winnipeg. The building incorporates Power Smart design standards, such as triple-pane windows, a geothermal heat pump, and T8 fluorescent lighting

CUSTOMER SERVICE

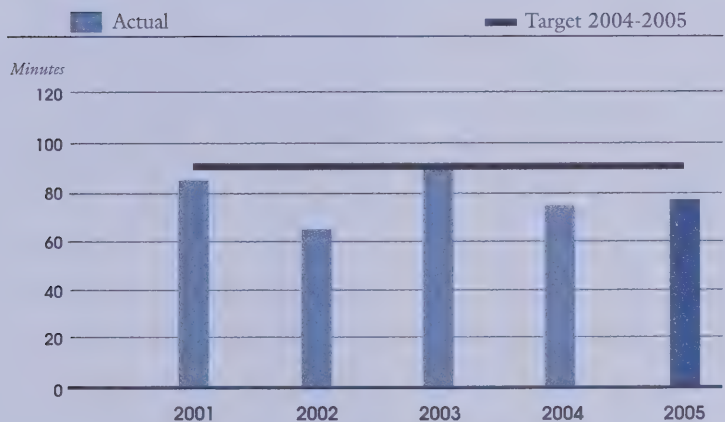
CUSTOMER SERVICE ENHANCEMENTS

Manitoba Hydro expanded its customer self-service choices in the last year with some automated billing enhancements at the Customer Contact Centre. Customers can now access detailed billing information at any time of day and find out information such as their amount owing, current billing date, last payment, and last meter reading. Customers can also learn more about alternative payment plans and hear a variety of Power Smart tips by simply listening to pre-recorded scripts. The majority of calls to the Customer Contact Centre in the year were related to billing inquiries and service assistance.

Average Customer Outage Frequency



Average Customer Outage Duration



THE FRONT LINES

A May 2004 winter storm in Winnipeg and southwestern parts of Manitoba resulted in crews working around the clock to restore service to thousands of electricity customers. Hydro crews were hampered by the wet, heavy snow and high winds that caused trees and branches to interfere with poles, cross-arms, and conductors.

CUSTOMER SERVICE

PUBLIC ACCOUNTABILITY MEETINGS

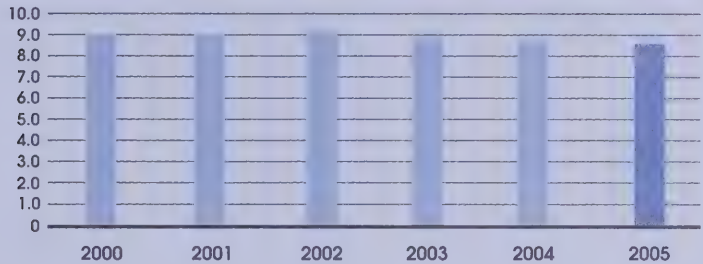
Public Accountability meetings were held in September and October 2004 at three separate locations: Lac du Bonnet, Flin Flon, and Winnipeg. The meetings are held annually to present customers with a general overview of the Corporation's major plans and operations and to provide the opportunity for customers to voice their opinions and concerns.



Manitoba Hydro crews were kept busy restoring electrical service in May 2004 after a spring snow storm.

Customer Satisfaction with System Reliability (Electricity)

Source: Manitoba Hydro quarterly Customer Satisfaction Tracking Study



CUSTOMER SERVICE

In the fiscal year, Manitoba Hydro and Minnesota Power signed a four-year, 50-megawatt contract for capacity and intermediate energy, effective May 2005.

CONSUMPTION PEAKS

A new system peak for Manitoba electricity was set on January 17, 2005, when the record became 4 146 megawatts. A record for energy consumption was also achieved that day for 91 949 megawatt-hours.

On the natural gas side, the peak for the year occurred on January 14, 2005, when total consumption reached 14 million cubic metres.

EXPORT CUSTOMERS

Manitoba Hydro and Minnesota Power signed a four-year, 50 megawatt contract for capacity and intermediate energy, which will begin on May 1, 2005. After many years of relatively stable demand, Minnesota Power is experiencing significant load growth from its mining customers in northern Minnesota and is looking to Manitoba Hydro to assist in meeting its long term demands.

The Corporation is also in discussions with several other Canadian and American customers for the sale of long-term power primarily because of an increase in regional load growth and the advantages of clean, renewable hydroelectric energy.

ONTARIO POWER SALE STUDY

In September 2004, a study into the feasibility of transmitting clean hydroelectric energy from Manitoba to Ontario was released. The study, undertaken jointly by Manitoba and Ontario, found there would be significant benefits arising from the development of an east-west energy grid and the Conawapa and Keeyask hydroelectric projects.

Environmental benefits include the displacement of coal plants and a reduction in greenhouse gas emissions by at least seven million tonnes per year. In addition, economic opportunities will be created for northern and First Nations communities.

POWER SMART PROGRAMS EXPAND

The fiscal year saw the creation of several new Power Smart programs to augment the existing programs in both residential and commercial sectors.



CUSTOMER SERVICE

Below: A customer takes advantage of the “buy one, get two free” Compact Fluorescent Lighting Campaign offer at a kiosk outside a retail store in Winnipeg.



Right: Manitoba Hydro Energy Advisors' Jeff Beckman (right) and Linda Carter prepare to tape 60-second Power Smart information spots for CKY-TV camera crews in Winnipeg.

POWER SMART IN THE HOME

Manitoba Hydro's energy advisors completed more than 5 000 in-home energy evaluations, exceeding the number of evaluations completed the year before by almost 20 per cent. The evaluation determines energy losses present around the home, recommends energy-saving improvements, and assigns an EnerGuide rating for the house.

The Home Comfort and Energy Savings Program topped the \$60 million mark in Power Smart Residential Loans for Manitoba homeowners. More than 17 000 Manitobans have now taken advantage of this opportunity to save on their energy costs.

In January 2005, Manitoba Hydro held its first Power Smart New Home Challenge special event. Under the terms of the program, homeowners who build their new homes to Power Smart standards are eligible to receive up to \$1 000 towards the purchase of a front-loading clothes washer or a \$600 rebate on their electricity bills. The New Home Challenge consisted of having customers obtain a “passport” at any of nine Power Smart display homes in Winnipeg and having them stamped to be eligible for prizes.

A new Home Insulation Program was launched in May 2004 that reimburses qualifying homeowners of electrically heated homes for up to 100 per cent of the cost of insulation materials when upgrades conform to Power Smart levels. Upgrading insulation keeps homes warmer in winter and cooler in summer, lowers heating costs, and conserves energy.

By year's end, more than 2 300 Manitoba seniors from across the province had taken part in the Wisdom in Saving Energy (W.I.S.E.) program, which was introduced in 2001. The W.I.S.E. program offers a no-cost home check-up to qualifying seniors, 55 and over, that identifies possible upgrades to homes and appliances that could lower energy bills.

COMPACT FLUORESCENT LIGHTING CAMPAIGN

Manitoba Hydro distributed more than 81 000 compact fluorescent lights to nearly 22 000 residential customers in its Power Smart Compact Fluorescent Lighting Campaign. During the campaign, the Corporation promoted a “buy one, get two free” offer on Energy Star certified com-



pact fluorescents. Customers could purchase the bulbs at any retailer or buy them at 39 special events at retail locations in 11 cities and towns across the province. The initiative was part of the new Residential Compact Fluorescent Lighting Program, launched to reduce electricity consumption by 10 megawatts and 51 gigawatt-hours by 2012. Compact fluorescents use 75 per cent less energy than incandescent bulbs and last 10 times longer. Due to the overwhelming response, the campaign is being repeated in the spring and summer of 2005.

CUSTOMER SERVICE

GEOTHERMAL HEAT PUMP SYSTEMS GAIN RECOGNITION

Manitoba Hydro's Earth Power Program, designed to promote the benefits of geothermal heat pump systems over conventional heating and cooling systems, gained a significant following in Manitoba over the fiscal year.

A total of 181 residential customers took advantage of a record \$2.6 million in Residential Earth Power loans to help cover the cost of installing geothermal heat pumps over conventional heating and cooling systems. In total, 770 geothermal heat pumps were installed in Manitoba in the fiscal year, up from 513 the year before. Manitoba is the market-leader in the energy-efficient technology, accounting for some 25 per cent of total heat pump installations across Canada.

In February 2005, the Manitoba GeoExchange Conference was held in Winnipeg and brought together key players in the industry, including heat pump contractors, engineers, architects, manufacturing representatives, and members of various federal and provincial organizations.

The conference exceeded all attendance expectations, with about 250 delegates participating in the industry infrastructure session and an additional 150 people participating in the Geothermal Awareness Workshop.



CUSTOMER SERVICE

POWER SMART COMMERCIAL SALES GROUP

Manitoba Hydro also established a new Power Smart Commercial Sales Group last year, dedicated to the delivery of commercial programs for small and medium-sized businesses. Over 600 evaluations, which include an on-site building walk-through, project payback analysis, and technical assistance were conducted.

POWER SMART IN BUSINESS

At Dalnavert Museum, the 110-year-old Victorian mansion in downtown Winnipeg once owned by the son of Sir John A. Macdonald, Power Smart technologies were incorporated into the museum's new visitors' centre. In addition to a geothermal heat pump, high-efficiency lighting, energy efficient windows and skylights, and well-insulated walls and ceilings were added. The modern enhancements seem appropriate for Dalnavert which, when it was first built, incorporated all of the "cutting edge" technologies of the day.

Power Smart Design Standards were also adopted by many different engineering and architectural firms in Manitoba this past year. The standards help create better working conditions through improvements in such areas as lighting and fresh air circulation. Through the use of Power Smart Standards, energy costs are typically 25 per cent lower than buildings constructed to conventional standards.

The Wabowden Community Health Centre is the most recent health care facility to be designed and built to Power Smart Design Standards. Two more health facilities, the Riverton Community Health Centre and Neepawa Chemotherapy Services, also received Power Smart designation during the fiscal year and are now under construction.

The new 22 000 square foot headquarters of Shindico Realty Inc. in Winnipeg may be one of the greenest of its kind in the city with new Power Smart Design Standards incorporated throughout. The building is a showcase for many Power Smart features, including triple-pane windows, a geothermal heat pump, dimmable T8 fluorescent lighting, and blinds that open and close automatically depending on available light. Many of the features meet or exceed Leadership in Energy and Environmental Design (LEED™) standards, considered by many in the industry to be the principal authority on green building design.

The new Visitors' Centre at Dalnavert Museum in Winnipeg is one of Canada's first "green" national historic sites, thanks in part to new Power Smart technologies.



Smith Carter Architects also took full advantage of Power Smart technologies in their new ultra-efficient corporate headquarters in Winnipeg, which was officially opened in July. The 50 000 square foot building, called SC3, makes maximum use of a host of energy-efficient technologies, such as geothermal heat pumps, T5 and compact fluorescent lighting, and intelligent parking lot controllers.

PERFORMANCE OPTIMIZATION PROGRAM

The Maple Leaf Consumer Foods plant in Winnipeg followed Manitoba Hydro's recommendation of installing an automatic purger on the plant's refrigeration system, which removes non-condensable gases. The purger will save the plant 45 kilowatts of summer demand and 30 kilowatts of winter demand. Several other improvements suggested by the Corporation were taken into account at Maple Leaf Foods, resulting in substantial energy savings.

Simplot Canada's potato-processing plant in Portage la Prairie also took advantage of some performance optimization recommendations by Manitoba Hydro. Several enhancements to the plant's refrigeration system were installed and then measured in the fiscal year, revealing a savings of 1 600 kilowatts of summer demand and 1 500 kilowatts of winter demand.

Throughout the year, the Corporation continued to work with various government departments and urban, rural, and northern economic development agencies to seek out new business opportunities, such as Biovail Corporation's pharmaceutical facility in Steinbach. The utility also worked actively to support the growth of the local ethanol industry.

CUSTOMER SERVICE



Above: In the fiscal year, Manitoba Hydro and Biovail's pharmaceutical manufacturing facility in Steinbach investigated ways Biovail could reduce its energy consumption costs.



The ultra-sleek headquarters of Smith Carter Architects in Winnipeg maximizes energy-efficient technologies, such as geothermal heat pumps, T5 and compact fluorescent lighting, and intelligent parking lot controllers.

ELECTRICITY RATES

The two-year drought and its subsequent financial loss for the Corporation required a general rate increase to residential, commercial, and industrial customers. There had been no residential rate increase since 1997 and no large industrial customer rate increase since 1992.

The Corporation applied to the Public Utilities Board (PUB) for a general rate increase in early 2004 and, after a comprehensive review, the PUB ordered an across-the-board increase of 5 per cent to all domestic classes of service, effective August 1, 2004. The PUB Order also provided for further conditional rate increases on April 1, 2005 and October 1, 2005. The conditional increases allowed for a review of the extent to which conditions had changed since the original Order. As a result, Manitoba Hydro filed an application for approval of the first conditional release in January 2005 and the PUB approved a further across-the-board increase of 2.25 per cent, effective April 1, 2005.

After the application of these increases, Manitoba's electricity customers still enjoy rates that are the lowest in North America and among the lowest in the world.

DIESEL RATES

The four remaining northern communities who obtain their electricity from diesel generation benefited from a decrease to their energy rates. Over the summer of 2004, the four First Nations represented by Manitoba Keewatinook Ininew Okimowin (MKO), Manitoba Hydro, and Indian and Northern Affairs Canada negotiated a tentative agreement that provided for increased federal contributions in the four communities, a new formula for funding the First Nations' electricity requirements, payment of outstanding bills, and major rate reductions. As a result, Northlands First Nation (Lac Brochet), Barren Lands First Nation (Brochet), Sayisi Dene First Nation (Tadoule Lake), and Shamattawa First Nation, had their rates substantially reduced, retroactive to May 2004.

NATURAL GAS RATES

During the fiscal year, Manitoba Hydro filed quarterly applications with the PUB to adjust its natural gas rates. As a result, four changes to natural gas prices were passed on to Manitoba Hydro customers: May 2004 (2.9 per cent increase), August 2004 (2.3 per cent increase), November 2004 (2.4 per cent decrease), and February 2005 (5.2 per cent decrease). In addition, a 2.5 per cent general rate increase related to the non-gas costs of operating the gas utility was implemented on February 1, 2005. All percentages are based on average annual increases or decreases for residential natural gas customers.

Manitoba Hydro purchases its primary gas from producers in Alberta and transports it to Manitoba through the TransCanada Pipeline network. Natural gas is a North American commodity and as a result, its price varies depending on supply and demand factors. The Corporation passes the cost it pays for natural gas directly to its customers with no markup and makes no profit from the sale of primary gas. Manitoba Hydro also helps lessen the impacts of volatile natural gas prices through the use of derivative instruments, deferral accounts, and gas storage as well as the quarterly adjustment of natural gas rates. The utility also provides customers with the option of enrolling in the Equal Payment Plan, as with electricity, to smooth out their natural gas energy bills.

Doubling Our Achievements

Since 1991, Manitoba Hydro has actively promoted the wise use of energy through Power Smart energy efficiency programs. Power Smart is an integral part of the Corporation's vision and mission, and Manitobans have responded enthusiastically to the wide variety of products, incentives, and information available on ways to save energy and help the environment.

In keeping with this proactive approach, the Corporation announced in December it would be doubling its Power Smart energy savings targets over the next 13-year period. Now set at 842 megawatts of capacity and 2 637 gigawatt-hours per year of consumption by the year 2018, the new targets approximately double the savings already achieved from 1991 to 2004. Cumulative Power Smart savings to date exceed the current power requirements of the communities of The Pas, Steinbach, Neepawa, and Portage la Prairie combined.

In addition to the more aggressive electrical conservation targets, Manitoba Hydro is also committed to increasing the promotion of natural gas efficiencies and conservation measures.

Manitoba Hydro offers a full portfolio of 20 Power Smart programs to its residential, commercial, and industrial customers, from lighting, heating, air conditioning, and manufacturing, to energy efficient standards for buildings and appliances.

The Canadian Energy Efficiency Alliance (CEEAA) awarded the Province of Manitoba an A in its Fifth Annual National Report Card on Energy Efficiency, the highest grade in the country. The well-designed integration of the provincial government's energy efficiency activities and Manitoba Hydro's comprehensive Power Smart programming resulted in Manitoba being recognized as the leading province in Canada.

Manitoba Hydro's Power Smart Commercial Lighting Program also received recognition from the CEEAA as a "Best Practice". In addition, the Power Smart Industrial Performance Optimization Program, the Commercial Heat Pump Program, and Power Smart Design Standards all received Honourable Mention.



President and CEO Bob Brennan (right) receives a Best Practice Award for Manitoba Hydro's Power Smart Commercial Lighting Program from Peter Lowe, Executive Director of the Canadian Energy Efficiency Alliance



Transmission *and Distribution*



TRANSMISSION AND DISTRIBUTION

Throughout the year, Manitoba Hydro continued to work at ensuring the security and reliability of its transmission and distribution systems. Although Manitoba Hydro's network is built to withstand the sudden, forced outage of any major single generation or transmission element under normal conditions, emergency planning and preparations are critical.

A complete Emergency Preparedness Plan was drawn up in the fiscal year and team members met regularly to ensure the utility is prepared for any unforeseen emergencies. Plans expanded to include the ability to respond to wide-ranging emergencies that may occur from fire, severe weather, or sabotage.

The continental grid is constantly being monitored and tested to ensure system readiness and compliance with the North American Electrical Reliability Council's (NERC) standards. Spurred by the August 2003 blackout in eastern Canada and the realities of the rapidly changing electrical industry, voluntary utility efforts are being enhanced through mandatory industry standards and compliance testing.

During the year, representatives from the Corporation were actively involved on several NERC teams involved in developing reliability standards for the electric utility industry.

Management of the Mid-West Area Power Pool (MAPP) region was significantly altered with the formation of the Midwest Reliability Organization (MRO) in late 2003. The purpose of MRO, which became fully operational in January 2005, is to set reliability standards and to enforce compliance in the region. Manitoba Hydro's agreement with MRO includes provisions to protect Canadian sovereignty. The Corporation holds the Canadian Utilities Section Seat on the Board of Directors.

FIBRE OPTICS INFRASTRUCTURE EXPANDS

The Corporation maintains an extensive fibre optics communications infrastructure to provide reliable, high quality communications for power system protection. A component of this network, called the Interlake and Nelson River Optical System, was significantly expanded during the year.

In addition to utility purposes, the fibre optics network enables commercial communication services for other carriers and internet service providers. These types of services are emerging as a new and rapidly growing business opportunity for Manitoba Hydro. Communities benefiting from the high speed broadband services so far include the Brandon and Selkirk regions, Minnedosa, Thompson, Grand Rapids, St. Anne, Steinbach, St. Pierre, Letellier, St. George, Pine Falls, Pinawa, Ashern, Brokenhead, Winkler, Altona, and Gillam. The availability of the fibre optics system has provided these communities with the option of acquiring services that might otherwise be out of reach.



The fibre optics network known as the Interlake and Nelson River Optical System was significantly expanded during the year

FOUNDATION REPAIRS ON DORSEY-FORBES TRANSMISSION LINE

During maintenance and inspection of the 500 kilovolt export transmission line between Dorsey Converter Station and Forbes, Minnesota, foundation problems on a number of transmission towers were revealed and remediated. The Dorsey-Forbes line is a critical import/export transmission link to the United States.

TRANSMISSION AND DISTRIBUTION

GAS INTEGRITY MANAGEMENT SYSTEM

In the natural gas area, a new system was initiated that will allow for a more comprehensive and systematic way of identifying, assessing, and mitigating gas transmission pipeline risks. Data was collected throughout the year from instrument readings along gas pipelines, both above and below ground, and entered into a special risk assessment software program. The software will allow Manitoba Hydro to properly assess potential risks to the natural gas transmission system.



TRANSMISSION AND DISTRIBUTION

Electrical Technician Cam Frank, at the Dorsey Converter Station near Rosser, inspects the station's new state-of-the-art thyristor valve hall.

DORSEY, HENDAY, AND RADISSON CONVERTER STATIONS

The last of the 1970s-era mercury-arc valves at Dorsey and Radisson converter stations were changed over to the newer, more technically-advanced thyristor valve technology and were ready for operation in November 2004. The upgrade provides significant economic, operating, and maintenance benefits.

A project was initiated in the fiscal year involving the major inspection and overhaul of five of Dorsey's nine synchronous condensers. The machines are an essential part of the southern alternating current (AC) system and provide reactive power necessary for export to the United States.

Several spare converter transformers were assembled, tested and made ready for service at all three converter stations during the year. The transformers were tested to ensure their readiness for emergency situations. Converter transformers are essential components in the conversion of alternating current to direct current at Manitoba Hydro's HVDC stations.



MOOSE LAKE

The soil from the decommissioned diesel generating station site at Moose Lake was remediated and extra monitoring wells were installed around the site in the fiscal year. During remediation over 5 000 historical artifacts were discovered, which were then catalogued and returned to the community.

STATION UPGRADES

During the year, several transmission and distribution line upgrades were made to stations throughout the province, including Harrow, McPhillips, and Scotland stations in Winnipeg; Brandon's Highland Park and Victoria stations; and Leaf Rapids, Portage South, Rosser, and St. Laurent stations.

TRANSMISSION AND DISTRIBUTION

W.I.R.E. SERVICES

Manitoba Hydro's W.I.R.E. Services, a combined business initiative between Manitoba Hydro and Calgary-based LiDAR Services International (LSI), is now in its fourth year of operations. Worldwide Integrated Rating Enhancement (W.I.R.E.) Services continues to provide transmission line verification and re-rating services for the utility industry. Since 2000, W.I.R.E. Services has flown over 8 050 linear kilometres of transmission line routes for clients in Canada and the United States. The four-year exclusive services agreement between Manitoba Hydro and LSI expires in June 2005 and both parties are seeking a long-term renewal.



Before and after pictures of the Piney Distribution Station. In August 2004 Manitoba Hydro and Partner Technologies Inc. registered a patent with the United States for the creation of a High Voltage Electrical Handling Device Enclosure. Rather than using overhead lines and above ground support structures, the Distribution Supply Centre uses underground cables and totally enclosed padmount transformers and equipment that can be safely located in public spaces without fencing. Some of its advantages include a reduction in property requirements and improved appearance and aesthetics



Power Supply



History in the making: Technology Options engineer Ed Innes stands beside a giant blade from the first wind turbine to be installed at the 99 megawatt St. Leon wind farm.

POWER SUPPLY

Manitoba Hydro operates 14 hydroelectric generating stations, two thermal generating stations, and four isolated diesel plants to supply its customers with electricity. In order to continue to provide a highly reliable supply of power at low cost, Manitoba Hydro must maintain its current generating facilities as well as plan for future sources of generation.

This year, the Corporation generated a total of 31.5 billion kilowatt hours of electricity, of which 19.8 billion kilowatt hours were used domestically and the remainder exported to markets elsewhere in Canada and the United States.

KELSEY RE-RUNNERING

Work continued during the fiscal year on the re-runnering of Kelsey Generating Station's turbines in order to improve reliability, reduce maintenance, and improve power output. Hydraulic model tests on the new runners promise a 30 per cent increase in total output potential. The increase is the result of major technological advances in turbine design since Kelsey's turbines were purchased in the 1950s.

GRAND RAPIDS

A four year program to rehabilitate all four spillway gates at the Grand Rapids Generating Station was completed in 2004. The rehabilitation included gate modifications, structural repairs, roller repairs, seal replacement, and a complete interior and exterior paint re-coating.

Generating Unit #4 at Grand Rapids underwent a major overhaul in 2004. The work included the replacement of wicket gate bushings, overhauls to the mechanical systems, upgrades to oil cooling systems, intake gate hoist improvements, and an upgrade of the generator stator.

BRANDON AND SELKIRK GENERATING STATIONS

A major overhaul of Brandon Generating Station's coal-fired Unit #5 high-pressure turbine, stop valves, and generator were performed in the fiscal year. This included replacing five of the unit's turbine blades. In

One of the generating units at the Grand Rapids Generating Station in northern Manitoba.



addition, significant work was completed on the unit's boiler, in order to restore capacity and reliability. Benefits of the overhaul were realized immediately when the unit once again was operating at its designed capability of 105 megawatts.

A major overhaul of Selkirk Generating Station's Unit #2 also took place in the year. The overhaul included the complete disassembly, inspection, reassembly, dynamic balancing, and re-commissioning of many of the unit's main components.

Manitoba Hydro's two thermal stations at Brandon and Selkirk supplement the hydroelectric system and ensure an adequate supply of energy is available to Manitobans at all times – a particularly important factor in low-water years.

POWER SUPPLY

WUSKWATIM GENERATING STATION AND TRANSMISSION PROJECT

The past year saw a comprehensive public review of the Wuskwatim Generating Station and Transmission Project, led by Manitoba's Clean Environment Commission (CEC). The CEC hearings represented the most extensive review of a hydroelectric project ever conducted in the province. For the first time in history, a single governmental body was reviewing both the environmental impacts and the economic justification for the project.

The CEC hearings were held over four months and consisted of 31 hearing days in Winnipeg, Thompson, and The Pas. Information presented at the hearings came from a wide variety of witnesses, ranging from the personal testimony of individuals and groups and their past experiences from Hydro projects to expert testimony on caribou and energy conservation. Presentations were also made by Aboriginal and business groups.

In October 2004, the CEC released its final report, endorsing Wuskwatim and recommending it be licensed. After the favourable recommendation, Manitoba Hydro proceeded with the necessary documentation and submissions required to obtain licenses and approvals for the project.

Concurrent with the CEC hearing process, Manitoba Hydro and the Nisichawayasihk Cree Nation (NCN) moved forward with finalizing the details of their partnership agreement on Wuskwatim. Both parties are working towards the completion of the agreements, including the commercial terms for the partnership, direct negotiation of business contracts for NCN, as well as adverse effects compensation and other related matters.

After all approvals and licenses are received, it should take approximately five years to construct the Wuskwatim Generating Station.

The Wuskwatim site is located at Taskinigup Falls on the Burntwood River in northern Manitoba, southwest of Thompson. Wuskwatim will have a capacity of 200 megawatts and involve less than half a square kilometre of flooding.

KEEYASK

Participation of Aboriginal people in the Keeyask Generating Station's environmental assessment continued throughout the year and social, historical, and traditional knowledge issues continue to be addressed.



Top: Nisichawayasihk Cree Nation Councillor Elvis Thomas presented at the CEC hearings on Wuskwatim.

Bottom: Manitoba Hydro's Ed Wojczynski and Ken Adams also provided information about Wuskwatim at the CEC hearings.

POWER SUPPLY

The 620 megawatt station is being planned in collaboration with four Cree Nations in the lower Nelson River region, which include the Tataskweyak Cree Nation (TCN), the War Lake First Nation, the Fox Lake Cree Nation, and the York Factory First Nation.

Manitoba Hydro has established a negotiating process with all Keeyask Cree Nations to conclude a development agreement in advance of the regulatory review process and project construction. Members of all Keeyask Cree nations are now engaged in training to prepare themselves for possible jobs on the Keeyask project and other future northern hydropower projects.

PRE-PROJECT TRAINING ACHIEVEMENTS

The Wuskwatim and Keeyask Training Consortium is a legal entity consisting of NCN, TCN, War Lake First Nation, York Factory First Nation, Fox Lake Cree Nation, Manitoba Keewatinowi Okimakanak, Manitoba Métis Federation, Manitoba Hydro, and the Province of Manitoba.

Consortium members have developed and implemented a pre-project training program, called the Hydro Northern Training and Employment Initiative. The objective of the initiative is to facilitate the training of northern Aboriginal people (First Nation, Métis, and Non-Status Indians), enabling them to take advantage of employment opportunities on the proposed Wuskwatim and Keeyask projects.

Under the initiative, more than 1 000 northern Aboriginal people will receive training in a broad range of skills over a five-year interval to gain employment that reduces the wage, skill, and economic gaps between aboriginals and non-aboriginals in the province. By year's end, approximately 460 northern Aboriginal people had received training in various skills and trades, including welding, carpentry, ironworking, and heavy equipment operating. A total of \$60 million is available for the training, with funds being contributed by the federal government (\$30 million), the Corporation (\$20 million), and the province (\$10 million). Training is centrally coordinated but community planned and managed, with each of the Aboriginal communities being responsible for designing and delivering training to their members.

It's estimated the Wuskwatim and Keeyask projects would provide over 2 000 jobs at the peak of construction, with approximately 900 of these positions targeted for northern aboriginal people. The initiative intends to place just under 800 of its training participants into these jobs.

CONAWAPA

Between August 2004 and March 2005, staff from Manitoba Hydro met with 19 Aboriginal communities and organizations in the Burntwood, Churchill, and Nelson river areas to discuss ways they might participate in the proposed 1 250 megawatt Conawapa project. Manitoba Hydro's intent is to optimize opportunities for Aboriginal participation in Conawapa's development and ensure the interests of northern Aboriginal communities are part of the process.

The communities and organizations contacted in regard to Conawapa were Nisichawayasihk Cree Nation, Nelson House Community Council, South Indian Lake Community Council, Norway House First Nation, Norway House Community Council, Cross Lake First Nation, Cross Lake Community Council, Pikwitonei Community Council, Wabowden Community Council, Thicket Portage Community Council, Granville Lake Community Council, Shamattawa First Nation, Fox Lake Cree Nation, Tataskweyak Cree Nation, York Factory First Nation, War Lake First Nation, Ilford Community Council, Manitoba Keewatinook Ininew Okimowin, the Manitoba Métis Federation, and the Northern Association of Community Councils.

Alternative Energies:

Augmenting the Hydroelectric System

Manitoba's abundant water supply has always made hydroelectric generation the natural choice for producing energy in the province. But advances in wind turbine technology and the suitability of the terrain in southern Manitoba have provided the opportunity to augment hydroelectric energy with wind power.

In October 2004, Manitoba Hydro signed a 25-year Power Purchase Agreement with AirSource Power to purchase electricity from Manitoba's first wind farm. The 99 megawatt project, located near the town of St. Leon, Manitoba, will result in the installation of 63 wind turbine generators.

In late March 2005, the first wind turbine was erected, ushering in a new era of electrical generation for Manitoba. When complete, the St. Leon Wind Energy Project will be one of the largest wind farms in North America.

Under the terms of the contract, Manitoba Hydro will purchase the entire output of the 63 turbine wind farm, scheduled to go into full commercial operation by December 31, 2005.

In addition to wind technology, Manitoba Hydro has been actively monitoring and evaluating the technical and economic advances in alternative energies, such as hydrogen, bioenergy, microturbines, fuel cells, electricity storage, solar photovoltaic panels, and using methane gas from city landfills for generating electricity. Each of these technologies is currently at a different stage of development.



*Environment
and Aboriginal*
Relationships

ENVIRONMENT AND ABORIGINAL RELATIONSHIPS



Minister of Aboriginal Affairs
Oscar Lathlin, left, and Manitoba
Hydro-Electric Board Chairman
Vic Schroeder, right, stand with
Chief Robert Wavey after the
signing of the Fox Lake Cree
Nation Settlement Agreement.

GREENHOUSE GAS EMISSIONS

As an acknowledged leader in taking meaningful action to address the global issue of climate change, Manitoba Hydro's projects and trading agreements continue to help reduce greenhouse gas (GHG) emissions. Over the past 30 years, electricity exports to the United States have reduced GHGs by an estimated 155 million tonnes. Tapping Manitoba's considerable undeveloped hydropower potential and strong wind resources will continue to help the province and its neighbours meet their demand for electricity while reducing GHGs.

A study by the Pembina Institute for Appropriate Development demonstrated that GHG emissions from carefully-planned hydroelectric projects, such as the proposed Wuskwatim Generating Station, had virtually no GHG impact.

FOX LAKE AND WAR LAKE SETTLEMENT AGREEMENTS ADDRESS PAST HYDRO DEVELOPMENT

In November, the Fox Lake Cree Nation ratified the terms of a settlement agreement with the Province of Manitoba and Manitoba Hydro that will address adverse effects of past hydroelectric development in the lower Nelson River area. The three parties also signed a Memorandum of Understanding relating to the proposed development of the Conawapa Generating Station.

The efforts to finalize a Comprehensive Settlement Agreement with the War Lake First Nation to resolve the impacts of past hydroelectric development resulted in a final agreement. The agreement was approved by the members of the War Lake Cree Nation in a referendum conducted in December 2004.

MITIGATION AT CROSS LAKE FIRST NATION

The 2004-05 Action Plan for Implementation of the Northern Flood Agreement at Cross Lake included support and programming related to resource harvesting, debris clearing, and infrastructure works.

Over the winter season at Cross Lake, Manitoba Hydro continued to provide safe ice trails for snowmobiles, a network of emergency cabins, and safety program coordination with the community. During the open water season, boat patrols, navigational markers, maintenance and repair of docks and portages, and boat launches have been established to increase safety for waterway users.

The Manitoba/Manitoba Hydro Trapline Program in the Cross Lake Resource Management Area is designed to encourage and support trapping and includes annual income and support payments based on the harvest of aquatic furbearers and funding for rehabilitation and maintenance on the trapline.

The provincial government and Manitoba Hydro continued to jointly fund the Domestic Fishing and Alternate Foods Program, which is designed to mitigate the adverse effects of the Lake Winnipeg Regulation project on domestic resource harvesting at Cross Lake. Negotiations were also underway this year with the Cross Lake Trappers' Association to resolve any outstanding compensation for its individual members.

ENVIRONMENT AND ABORIGINAL RELATIONSHIPS

GRAND RAPIDS

The Manitoba government and Manitoba Hydro continued to work with Mosakahiken Cree Nation and Moose Lake to finalize settlement agreements to resolve outstanding issues related to land and resource management impacts of the Grand Rapids hydroelectric project.

Two agreements have been entered into between the Corporation and the Town of Grand Rapids relating to shared infrastructure. One involves funding for the development and operation of a new arena and the other relates to the development of sewer and water systems serving the town and Manitoba Hydro's staff facilities.

NORTHERN AFFAIRS COMMUNITY COUNCILS

Significant progress was made in the fiscal year to resolve past adverse effects from the Lake Winnipeg Regulation and Churchill River Diversion projects. The provincial government and Manitoba Hydro have worked closely with the Cross Lake Community Council, the Norway House Community Council, and the Nelson House Community Council. The parties involved anticipate reaching final agreements in the next fiscal year.

OTHER ABORIGINAL INITIATIVES

Manitoba Hydro continued to work with the Displaced Residents of South Indian Lake to resolve past grievances associated with the Churchill River Diversion Project. The process continued throughout the year under the auspices of the Northern Flood Agreement Arbitrator.

Manitoba Hydro and the Manitoba Métis Federation formed a joint task force in the year to identify opportunities and strategies of mutual interest to both parties.



**ENVIRONMENT
AND ABORIGINAL
RELATIONSHIPS**

ENVIRONMENTAL PARTNERSHIP FUND

Manitoba Hydro's Environmental Partnership Fund continues to attract requests from a broad range of community based non-profit organizations seeking to undertake environmental projects with a strong educational focus.

The Manitoba Envirothon, sponsored in conjunction with the Manitoba Forestry Association, is a province-wide high school competition that requires teams of five students to undertake a timed question-and-answer field test. The winning team goes on to represent Manitoba at the annual Canon Envirothon, in competition with other winning schools from across North America. In 2004, Manitoba's winning school, Swan River Collegiate, finished in 15th place out of a total of 50 participating states and provinces at the competition held in West Virginia.

Support for the Green Kids Organization and its inter-active theatre program for youngsters in school settings is another example of Manitoba Hydro's ongoing commitment to environmental education in the province with a strong sustainable development message. This junior schools' program is offered throughout Manitoba, in cooperation with the Manitoba Model Forest Organization.

During the year, the Corporation continued to foster interest in science education through funding and staff participation in the Science Council of Manitoba's annual high school fairs. Manitoba Hydro has also been actively assisting the University of Manitoba's Faculty of Engineering's "Engineers Without Borders" Sustainable Development Project Competition that produces community-implemented initiatives in third-world countries.

SPIRIT OF THE EARTH AWARDS

On June 21, 2004, 12 awards were presented at the Second Annual Spirit of the Earth Awards, held at The Forks in Winnipeg. The awards publicly recognize individuals, groups, or organizations whose environmental activity has been planned or implemented by Aboriginal people or non-aboriginal people working in partnership with Aboriginal communities.

THE FOREST ENHANCEMENT PROGRAM

Now completing its 10th year of operation, the Forest Enhancement Program continues to be heavily accessed by community organizations throughout Manitoba. Since its beginnings in 1995, the program has supported more than 500 tree planting, forest education, and innovative research projects.

Argyle Alternative School in Winnipeg launched a very innovative energy education program in 2004, using a successful school yard tree-planting project (funded by the Forest Enhancement Program) as its springboard. This science-focused initiative is intended to be hands-on for the students in this largely Aboriginal inner-city high school. Students also have the opportunity to learn skills directly involving wind power, alternative energy, and climate change education.

ENVIRONMENT AND ABORIGINAL RELATIONSHIPS



Above: Manitoba Hydro continued to support the rearing of sturgeon fingerlings this year at the Grand Rapids Fish Hatchery.

Below: Research into the habits of the woodland caribou population in Manitoba were ongoing throughout the year.

SHARING NORTHERN WATERWAYS

The purpose of the Keewatinohk Sipiia Northern Rivers Partnership Fund, now in its seventh year of operation, is to help northern residents strengthen their cultural connection to northern waterways used by Manitoba Hydro. The fund supports projects that enhance the connection people have to the land while being mindful of safety and working conditions. In addition, a shoreline clean-up and recreational infrastructure project was supported at Moose Lake and former Pine Bluff residents were helped to construct a shed for cemetery maintenance.

WALLEYE AND STURGEON PROGRAMS AT GRAND RAPIDS

Every year at Grand Rapids Generating Station, the station conducts a seven-week spring spill in support of the Walleye Spawning Enhancement Program. The goal of the program is to determine if a natural, self-sustaining walleye spawning population can be established within the Grand Rapids spillway bed. The program has been carried out annually since 1997, with funding provided by Manitoba Hydro and participation from Grand Rapids staff, Grand Rapids First Nation, Grand Rapids Fisherman's Co-Op, Manitoba Water Stewardship, and the federal department of Fisheries and Oceans.

In addition, the Corporation continued to support the rearing of sturgeon fingerlings at the Grand Rapids Fish Hatchery to enhance sturgeon stocks in the Nelson River. Following their incubation and rearing in the hatchery after a few months, the fingerlings are transported to the Silas Ross Memorial Sturgeon Rearing Facility at Jenpeg Generating Station. From there, the sturgeon are released back into the Nelson River before winter freeze-up.

WATERWAYS MANAGEMENT PROGRAM

Manitoba Hydro's Waterways Management Program consists of three elements; Debris Clearing, Boat Patrols, and Safe Ice Trails. This past year, major debris clearing programs were conducted in four northern communities: South Indian Lake, Nelson House, Split Lake, and Fox Lake. Debris clearing in those communities was particularly challenging in the year because of the high water conditions in all locations.

In some areas, debris work was conducted out of boats and in other areas the debris was cleared from the shoreline. The Waterways Management Program also added to its Safe Ice Trails programs with the inclusion of three more trails at Moose Lake, Cedar Lake, and Grand Rapids.

CARIBOU STUDIES CONTINUE

Studies and research on the Wapisiu Woodland Caribou, potentially affected by the proposed Keeyask and Wuskwatim generating stations, continued throughout the winter of 2004-05. The purpose of the research, performed through techniques such as aerial surveys and the use of radio-collars, is to collect data on the woodland caribou population, their seasonal ranges, herd movements, and calving areas.



Employees *and Safety*

A photograph of a worker wearing a yellow hard hat and safety glasses, viewed from the side and back. The worker is looking towards a sky filled with white clouds, where several high-voltage power lines stretch across the frame. The worker is wearing a grey shirt.

Construction crews repair a downed 230 kilovolt line near Plum Coulee in July, the result of a crop dusting plane that contacted the line.

EMPLOYEE RELATIONS

Since the acquisition of Winnipeg Hydro in the fall of 2002, significant progress was made with the integration of the former city utility's employees into Manitoba Hydro. The final step in the process was joining former Canadian Union of Public Employees (CUPE) Local 500 members with the International Brotherhood of Electrical Workers Local 2034 and CUPE Local 998, effective December 30, 2004. Mutual cooperation from all of the parties involved led to the effective transfer to the new bargaining unit structure.

COMMITTED TO EMPLOYMENT EQUITY

Developing a workforce representative of Manitoba's population is a key strategic goal for Manitoba Hydro, which is committed to identify, eliminate, and remedy any systemic disadvantages in employment that women, Aboriginal peoples, persons with disabilities, and members of visible minority groups face. The Corporation increased its aboriginal workforce by 46 persons over the year, with many of the new hires placed in the Power Line Trades area.

The Corporation identified workplace accommodations that support employees with disabilities in performing their job duties. Great success has been achieved with the Acquired Brain Injury Pilot Program – four candidates were re-integrated into the workforce in ongoing, meaningful work assignments.



Michelle Carriere celebrates with family members at the third annual Aboriginal Girls Summer Camp closing ceremony in Winnipeg. Michelle is one of ten girls who have participated in the camp since its inception.

Manitoba Hydro was recognized by the Manitoba Schizophrenia Society for its support of employees with disabilities. In addition, Network South Enterprises presented Manitoba Hydro with a Longstanding Employer Award. Network South is a non-profit organization that works with businesses to provide opportunities for adults with mental disabilities.

Employees and young Aboriginal women once again participated in the third annual Building the Circle Aboriginal Girls summer camp. The purpose of the camp is to encourage Aboriginal girls to pursue careers in engineering, technology, and trades.

The Employment Equity Educational Funding Program awarded over \$100 000 to students in the form of bursaries, scholarships, awards and program sponsorships. Of this amount, \$91 100 targeted Aboriginal students specifically. Recipients include high school students from

throughout the province, and university and college students from Winnipeg, Brandon, and Thompson.

In support of increasing the representation of members of visible minority groups and new immigrants, Manitoba Hydro's partnership continued with the University of Manitoba and the Internationally Educated Engineers Qualifications Program. The program, in partnership with the Association of Professional Engineers and Geoscientists of Manitoba, ensures internationally-trained engineers meet the province's academic standards for the profession.

The Career Communications initiative at Manitoba Hydro, designed to advertise the many employment opportunities available in the company, made presentations to numerous schools, colleges, and universities over the past year. As part of National Engineering Week, Manitoba Hydro hosted its first "Introduce a Girl to Engineering Day" in support of increasing the representation of women in the workforce. With the support of the University of Manitoba's IEEE Women in Engineering, Manitoba Hydro staff worked with corporate mentors to promote engineering to young women.

RESPECTFUL WORKPLACE

Manitoba Hydro partnered with Manitoba Public Insurance to provide assistance in developing a computer-based training program on respectful workplace policies and procedures. The full-time Respectful Workplace Advisor position provides proactive preventative measures to address respectful workplace issues as well as training, education, and early intervention strategies.

BEHAVIOUR BASED SAFETY

Implementation of the Behaviour Based Safety (BBS) Project was completed by the end of the year. BBS, which focuses on analyzing and improving behaviours that can cause accidents or unsafe work practices, is designed to significantly decrease the frequency of accidents in the Corporation. Expanding on the existing program already undertaken by many employees, a special BBS course was also made available to managers in the year.

EMPLOYEES AND SAFETY

PUBLIC SAFETY AND EMERGENCY PREPAREDNESS

A new carbon monoxide (CO) safety initiative was launched with the support of Manitoba's heating, refrigeration, and air conditioning contractors to promote regular heating and cooling system maintenance. Together with radio and print advertising, the campaign addressed the benefits of purchasing CO detectors in homes and participating retailers offered discounts on the detectors as part of a furnace maintenance package.

A special publication called the Emergency Preparedness Handbook was produced by Manitoba Hydro in the fall of 2004 to promote safety and offer tips on how to respond during emergencies. The handbook, available through district offices and the website, provides information and guidance on severe weather situations, downed powerlines, flooding, natural gas outages, and fire safety.

Over the fiscal year, over 200 elementary schools in Manitoba were visited by Manitoba Hydro staff that presented safety lessons and explained the dangers of playing near electricity and natural gas equipment. The message reached over 13 000 students in grades four through six.

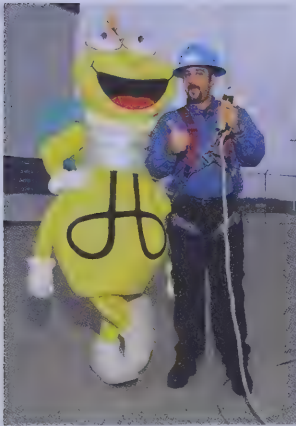
A variety of programming was also made available to students in grades 7-12, including video loans, Energy Education Teacher Kits, Resource Catalogues, and the Power Smart Poster Program.

LOUIE'S PLAY IT SAFE CLUB

Safety mascot Louie the Lightning Bug's highly successful Play It Safe Club expanded its membership base this year with the addition of many new French-speaking children. Partnering with the Division Scolaire Franco-Manitobaine resulted in a substantial increase in French Club members.

MANITOBA ELECTRICAL MUSEUM & EDUCATION CENTRE

In its third year of operations, the Manitoba Electrical Museum & Education Centre hosted over 5 300 visitors. Of these, 42 per cent were school groups. At the museum, school children learn directly about safety issues and the history and importance of electricity in Manitoba.



Above: Winnipeg A-Channel reporter Jimmy Mac talks about electrical safety and interviews Louie the Lightning Bug during a visit to Manitoba Hydro's Trades Training Centre.



Left: One of six themed displays at the Manitoba Electrical Museum & Education Centre in Winnipeg. "Energizing Manitoba" follows the development of Manitoba's hydroelectric potential between 1900 and 1960





Corporate Citizenship

Communications Technicians Bryan McNeil and Julie Emilford pose for a marketing brochure used for promoting career development in Manitoba Hydro's telecommunications and communications centre.

CORPORATE CITIZENSHIP



Cinderella's Coach was one of three Manitoba Hydro floats that made extensive use of LED lighting technology at the Power Smart/Winnipeg Jaycees Santa Claus Parade in 2004.

OUTSTANDING CORPORATE CITIZEN

Being an "Outstanding Corporate Citizen" is one of Manitoba Hydro's primary goals and last year's efforts demonstrated that this goal continues to be important to the Corporation and its employees.

2004 CHARITABLE DONATIONS CAMPAIGN

Once again, Manitoba Hydro employees took part in a variety of activities and fundraising events in the annual Charitable Donations Campaign. Held in various Manitoba Hydro locations simultaneously in the fall, the campaign involves many special events, including silent auctions, charity barbecues, and lunchtime speaking engagements. The Corporation matches employee donations dollar for dollar.

SALVATION ARMY AWARD

Acknowledging Manitoba Hydro's long-standing reputation in the community as a major contributor, the Salvation Army presented the Corporation with an award for "Corporate Supporter of the Year" in May.

2004 POWER SMART/WINNIPEG JAYCEES SANTA CLAUS PARADE

Manitoba Hydro was the title sponsor of the 2004 Power Smart/Winnipeg Jaycees Santa Claus Parade, held in downtown Winnipeg in November 2004. An estimated 80 000 people lined up along Main Street, Portage Avenue, and Memorial Boulevard to view the parade and its dazzling array of floats.



PICNICS AND TRADE SHOWS

Manitoba Hydro's Play it Safe Tent at the annual Teddy Bears' Picnic in Assiniboine Park in May attracted 3 500 visitors. In March, the Home Expressions Show was visited by more than 30 000 visitors. Staff from Manitoba Hydro shared their knowledge with attendees on how to be Power Smart in every room in the house. Information was also available on various Power Smart homeowner assistance programs.

CORPORATE CITIZENSHIP



Manitoba Hydro's Michel Ledoyen volunteers his time at the annual Public Works Expo at Kildonan Park in Winnipeg. The event features large equipment displays, bucket truck rides, and electrical safety information for children.

HABITAT FOR HUMANITY

Manitoba Hydro participated in last year's Habitat for Humanity home building exercise in Winnipeg by ensuring the Habitat homes were built to R-2000 standards and providing financial assistance for eight houses. R-2000 standards represent the highest technical requirements for building energy-efficient houses in cold climates. Always ready to participate in a worthwhile cause, a number of Manitoba Hydro employees took part in the exercise.

The Corporation also supported the construction of 14 new energy efficient homes in Winnipeg's core area during the year. The Corporation offered a combination of loans and grants to help homeowners cover the additional cost of upgrading their new homes to R-2000 standards.

ABORIGINAL PROGRAMS IN THE COMMUNITY

Manitoba Hydro was a major sponsor this year of the annual Manitoba Indigenous Summer Games, held in the The Pas/Opaskwayak Cree Nation in July. Approximately 1 500 athletes from across Manitoba competed in six sports: athletics, archery, canoeing, baseball, soccer, and golf.

In May, Manitoba Hydro participated as a Gold Sponsor of 2004 Vision Quest, an annual conference that promotes Aboriginal business, economic, and community development.

The Corporation sponsored the Youth Component of the 34th Northern Association of Community Councils Conference in August. Manitoba Hydro used the opportunity to showcase its training, recruitment, and educational support programs and participated in workshops that featured career choices and healthy lifestyles.

FESTIVALS AND FAIRS

Manitoba Hydro sponsored a number of festivals in northern Manitoba, including the Winterfests in Thompson and Churchill. In Churchill's festival, Manitoba Hydro supported the Hudson Bay Quest, a dog-sled race from Arviat in Nunavut to Churchill. This annual 321 kilometre race effectively re-creates the historic fur-trade run from centuries ago and provides economic benefits to the communities involved.

MANITOBA HYDRO AND POLICE SERVICES ADDRESS MARIJUANA GROW OPS

Manitoba Hydro, in cooperation with the RCMP, Winnipeg Police Service, and the Brandon Police Service, put together a two-part information series on marijuana grow operations in the utility's customer bill insert. The purpose of the articles was to draw attention to the electricity-related risks to the community at large.

CORPORATE CITIZENSHIP



Dr. Ani Gole, one of two new Research Chairs at the University of Manitoba supported by Manitoba Hydro. Dr. Gole is the Power System Simulation Research Chair at the Faculty of Engineering.

RESEARCH AND INNOVATION

Manitoba Hydro continued to pursue research and development programs that further its goals of providing customers with exceptional value. To that end, the Corporation continued its collaborations with a wide network of associated research organizations, such as the Canadian Electricity Association, the Electric Power Research Institute of the United States, the Canadian Energy Partnership for Environmental Innovation, the Energy Solutions Centre, the American Society of Heating, Refrigeration, and Air Conditioning Engineers, the Canadian Hydropower Association, and the International Hydropower Association. During the year, Manitoba Hydro also initiated a relationship with the Energy and Environment Research Centre in North Dakota.

A key element of the Corporation's research activities is its relationship with universities, primarily the universities of Manitoba and Winnipeg. Research is also ongoing with the universities of Western Ontario, Alberta, Regina, and New Brunswick in areas where they have unique and specialized expertise.

Research is being conducted into the modeling and failure prediction of transmission lines due to high-intensity winds. This research is expected to lead to tower designs that are more resistant to severe wind storms.

Other research projects undertaken throughout the year include evaluating design methods for rock-fill dams; a reconstruction of southern Manitoba droughts to analyze the chronology and severity of droughts in southern Manitoba over the past 1 000 years; and power transfer capability analysis of future potential Manitoba-Ontario electrical interconnections.

CORPORATION FUNDS UNIVERSITY RESEARCH CHAIRS AND PROFESSORS

In the fiscal year, Manitoba Hydro provided support for the establishment of two new Natural Sciences and Engineering Research Council of Canada Industrial Research Chairs in the Faculty of Engineering at the University of Manitoba. The Corporation will contribute support over five years to the Power System Simulation Research Chair and the Alternative Energy Research Chair.

The Corporation also bolstered climate change research in Manitoba by supporting a Climate Change Research Professor at the University of Winnipeg and a second position at the University of Regina. The position at the University of Regina is in collaboration with the Prairie Adaptation Research Collaborative.

The Downtown Office

A Signature Building in the Making

In April 2005, the design concept for Manitoba Hydro's new downtown headquarters on historic Portage Avenue in Winnipeg was announced. The chosen concept was the preferred option among three originally unveiled in October 2004.

Fundamental to the building's design is the extensive use of passive energy systems, unlike a conventional office building which uses energy-driven mechanical systems. Key energy efficient elements include atriums to provide fresh air and light, a solar chimney to enhance fresh air ventilation, a geothermal heat pump system, energy efficient lighting, and a double-external wall for improved insulation values.

The building is expected to achieve a minimum 60 per cent saving in energy consumption over conventional office buildings and is also expected to result in a gold level Leadership in Energy and Environmental Design (LEED™) certification. Through the project, the Corporation expects to realize significant savings from the building's world-class energy efficiency design, reduction in costs for leased office space, and productivity improvements and synergies from consolidating up to 2 000 employees from diverse locations across Winnipeg into an improved working environment.

Design Architect Kuwabara Payne McKenna Blumberg (KPMB) of Toronto and the Manitoba firm of Smith Carter Architects and Engineers Incorporated as the Architect of Record have worked in an integrated design process with engineers, energy experts, and Manitoba Hydro staff, to develop the building.

After a rigorous site selection process, Manitoba Hydro announced in December 2003 that the new location of the downtown office would occupy a city block, on the south side of Portage Avenue, between Edmonton and Carlton Streets, extending south to Graham Avenue.

At the end of the fiscal year, deconstruction of the on-site buildings and salvage of re-usable materials was underway with excavation and construction about to begin. While being designed to meet Manitoba Hydro's present and future business needs, the building's central downtown location will add to the continued revitalization of Winnipeg's downtown. The building is scheduled for occupancy in late 2007.

Work on clearing the site for Manitoba Hydro's new downtown office started in the spring of 2005. The new office will occupy an entire city block in downtown Winnipeg.



SUBSIDIARIES

MANITOBA HYDRO INTERNATIONAL

Manitoba Hydro International (MHI) has marketed skills, knowledge, and training from the Corporation to over 90 client organizations and 50 countries throughout the world during its 20 years of operation. MHI offers business and technical expertise in electricity generation, transmission, distribution, energy market operations, and customer service. Through its operations, MHI also offers unique learning opportunities to employees who can make significant contributions to other utilities, countries, and cultures.

MHI continued its involvement in the Balkans, a five-year \$15.6 million project funded by the Canadian International Development Agency. MHI's contributions to the South Eastern Europe Electrical System project are in the areas of transmission contracts, transmission system operation and maintenance, exchange of electricity, Geographic Information Systems, Demand Side Management, and Human Resource management.

In the fiscal year, MHI also signed an 18-month agreement with the European Bank to assist the Government of Moldova in Public Safety Awareness training and educational programs. The initiative is intended to address safety concerns in the region following the recent transition and development in the electrical distribution sector. Concerns had been raised nationally about the high incidence of fatalities and injuries from contact with the electrical infrastructure and especially high incidences among children.

MHI staff and sub-contractors continue to make good progress in improving Nigeria's National Electric Power Authority's customer service, billing, metering, and collections processes. The Revenue Cycle Management program there has so far yielded a customer revenue increase of approximately 150 per cent. In Uganda, a contract was negotiated with the Uganda Electricity Transmission Company to supply a variety of live line training and tools. The supply of tools and hands-on training will occur in the coming year.

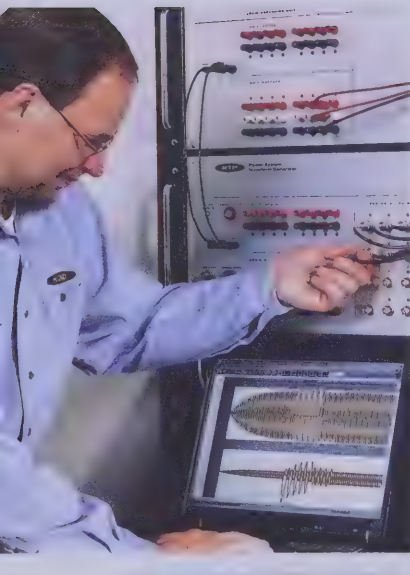
In February 2005, the World Bank awarded MHI a \$1.2 million contract to assist with the implementation of its power sector aid program in Liberia.

Through a contract with Minneapolis-based Xcel Energy, MHI is providing engineering supervision, commissioning skills, and operations and maintenance support for the Lamar HVDC facility now under construction near Denver, Colorado. MHI, the HVDC Research Centre, and Electranix Corporation have delivered inspection services and assisted Xcel with the establishment of a Reliability Centered Maintenance Program.

MANITOBA HVDC RESEARCH CENTRE

Completing its fifth year of operations as a subsidiary of Manitoba Hydro, the Manitoba HVDC Research Centre continued to support the strategic initiatives of Manitoba Hydro.

A significant achievement was the release of an upgrade of the Centre's premiere product: the power system simulation software called



The HVDC Research Centre's Brian Bangert performs a transmission line relay test using the Centre's renowned PSCAD software.

SUBSIDIARIES

PSCAD. In total, over 1 600 commercial licenses at 670 sites in over 67 countries have been sold over the last 10 years since the product was developed. Project NeXus, currently being developed along with extra software developments in PSCAD, will further enhance the Centre's achievements. The Centre has also designed and built a new ice load detector to be used in transmission line design.

The Manitoba HVDC Research Centre continues to promote a collaborative approach through its strong partnership with Manitoba Hydro, the Power Systems Laboratory at the University of Manitoba, RTDS Technologies, and its industrial partners, such as ABB and Siemens.

MANITOBA HYDRO UTILITY SERVICES

In its seventh year of operations as a subsidiary, Manitoba Hydro Utility Services (MHUS) has proven to be a cost-effective service provider, achieving savings and synergies through integrated meter reading services and temporary resource placements.

Synergies are realized by the reading of customers' electricity and natural gas meters simultaneously. Temporary resource placements provide the Corporation's districts and field operations departments with greater flexibility in acquiring staff to assist with peak workload requirements.

In the fiscal year, MHUS increased its number of temporary resource placements and was able to diversify its skill base by providing placements to both electricity and natural gas operations.

MERIDIUM POWER

Meridium Power continues to work actively on establishing a Canadian market for Written-Pole® technology motors – a proprietary electric motor and generator technology.

The technology, which extends the capabilities of electric motors and “battery-free” power protection products, was developed with assistance from Manitoba Hydro.

Large horsepower, single-phase motors based on this technology enable rural customers to expand their operations while eliminating the need for costly three-phase service upgrades. Their energy-efficient operation of the motors makes them an excellent replacement for stationary diesel engines, reducing operating costs by 40 to 60 per cent at a time when fuel prices are increasing dramatically.

Written-Pole® motors supplied by Meridium are eliminating power service interruptions at CN Rail's Symington Yard Terminal in Winnipeg that used to disrupt rail service across Canada. The “battery-free” concept reduces infrastructure and maintenance costs in comparison to systems that use energy storage batteries.



Manitoba Hydro subsidiary Meridium Power worked with CN Rail's Symington Yard Terminal in Winnipeg this year to eliminate power service disruptions.



Financial Review

The generating unit gallery at the Kelsey Generating Station.



MANAGEMENT'S DISCUSSION AND ANALYSIS

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The Management Discussion and Analysis should be read in conjunction with the consolidated financial statements and the related notes. Together, this information explains the business of the Corporation and provides forward-looking statements regarding the anticipated financial and operational performance of Manitoba Hydro. Such forward-looking statements are subject to a number of risks and uncertainties, which may cause actual results to differ from those anticipated. To the extent known to management, risks and uncertainties have been quantified within reasonable ranges of materiality.

As a Crown Corporation owned by the Province of Manitoba, Manitoba Hydro's mandate is to provide for the continuance of a supply of energy to meet the needs of the province and to promote economy and efficiency in the development, generation, transmission, distribution, supply, and end-use of energy. In the performance of its mandate, Manitoba Hydro engages in a wide range of energy-related endeavours within and outside the Province of Manitoba. Performance measurements, as referenced in the Management Discussion and Analysis, attest to Manitoba Hydro's position as one of the leading energy providers in North America.

FINANCIAL OVERVIEW

Net income from consolidated electricity and natural gas operations was \$136 million for the year ended March 31, 2005. This represented a significant recovery from the previous fiscal year in which a net loss of \$436 million was incurred. The favourable financial turnaround was mainly attributable to dramatically improved water flow conditions on Manitoba's major river systems and the resultant 63% improvement in hydraulic generation. In addition to higher extraprovincial sales of \$203 million in 2004-05, the higher hydraulic generation allowed for a \$434 million reduction in thermal and power import costs compared to the previous year.

Due largely to the financial losses incurred in 2003-04 as a result of drought conditions, Manitoba Hydro applied to the Public Utilities Board (PUB) for approval to implement its first electricity rate increase to residential and small commercial customers since 1997 and the first rate increase to large industrial customers since 1992. The PUB approved an across-the-board rate increase of 5% effective August 1, 2004 which generated additional revenues of approximately \$32 million in 2004-05.

The consolidated net income of \$136 million for the year ended March 31, 2005 was comprised of a \$138 million profit in the electricity sector and a \$2 million loss in the natural gas sector. Both the electricity and natural gas financial results were close to the Corporation's financial forecasts for the fiscal year. With a 2.5% general rate increase to natural gas customers implemented February 1, 2005, it is projected that the natural gas sector will contribute to corporate profitability in 2005-06.

In summary, Manitoba Hydro's consolidated financial results for the fiscal year ended March 31, 2005 compared to the previous fiscal year are as follows:

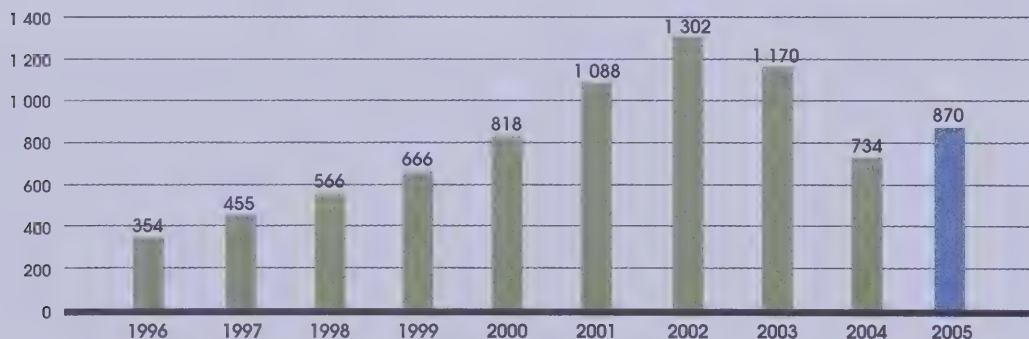
MANAGEMENT'S DISCUSSION AND ANALYSIS

Consolidated Financial Results

	Electricity		Natural Gas		Total	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
	<i>millions of dollars</i>					
Revenue						
Manitoba	954	936	509	494	1 463	1 430
Extraprovincial	554	351	—	—	554	351
	<u>1 508</u>	<u>1 287</u>	<u>509</u>	<u>494</u>	<u>2 017</u>	<u>1 781</u>
Expenses	1 363	1 711	115	112	1 478	1 823
Cost of gas sold	—	—	384	375	384	375
Corporate allocation	7	4	12	15	19	19
	<u>1 370</u>	<u>1 715</u>	<u>511</u>	<u>502</u>	<u>1 881</u>	<u>2 217</u>
Net income (loss)	<u>138</u>	<u>(428)</u>	<u>(2)</u>	<u>(8)</u>	<u>136</u>	<u>(436)</u>

The improved financial results in 2004-05 have contributed to a partial recovery in the Corporation's retained earnings as indicated in the following chart:

Retained Earnings
Fiscal years ended March 31
millions of dollars



ELECTRICITY OPERATIONS

Revenues from electricity operations in 2004-05 were \$1 508 million, an increase of \$221 million or 17.2% over 2003-04. The significant increase in revenues was largely due to a \$203 million increase in extraprovincial sales as a result of vastly improved water flow conditions and substantially higher hydraulic generation.

The following chart indicates the improvement in generation and sales in 2004-05 compared to the previous year:

	2004-05	2003-04	% Change
	<i>billions of kWh</i>		
Generation	31.5	19.3	63.2
Manitoba sales	19.8	19.3	2.6
Extraprovincial sales	10.8	7.0	54.3

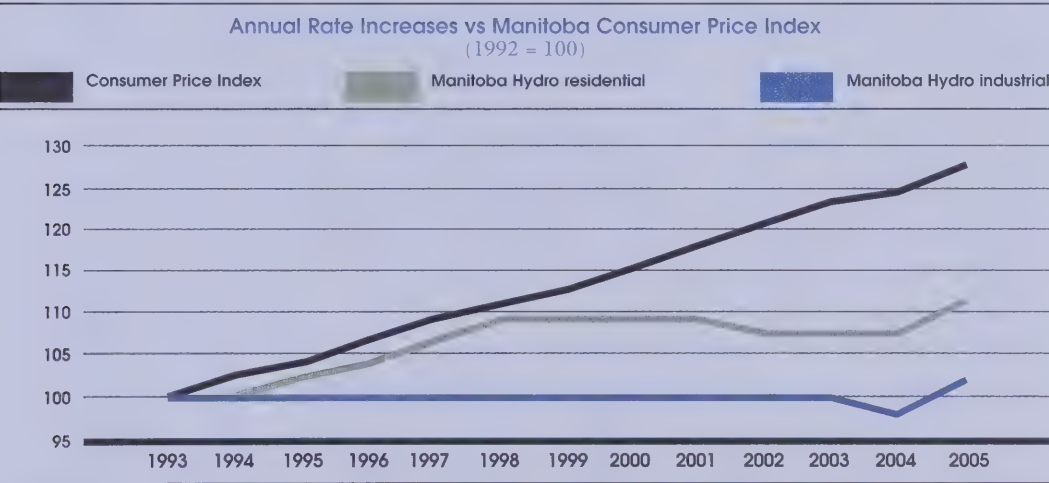
MANAGEMENT'S DISCUSSION AND ANALYSIS

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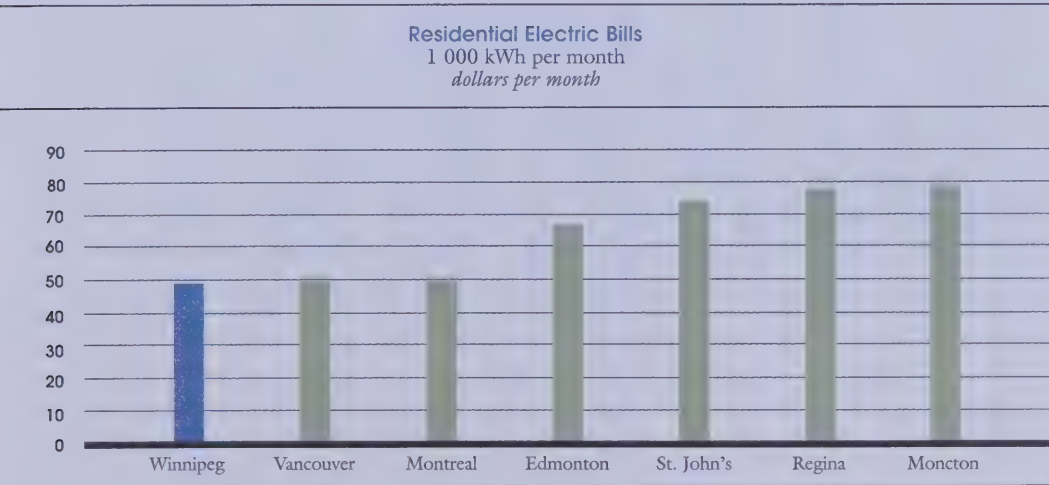
Contributing approximately \$32 million to the increase in electricity revenues was a 5% general rate increase implemented August 1, 2004. The electricity rate increase was the first to residential and small commercial customers in 8 years and the first increase to industrial customers in 13 years. The rate increase was necessary to assist the Corporation in recovering from the financial impacts of the droughts of 2002-03 and 2003-04.

In addition to the drought impacts Manitoba Hydro, like any other business, is faced with inflationary cost increases. During the 13 year period that industrial electricity rates have not increased, other commodity prices (as measured by the Consumer Price Index) have increased by approximately 29%. The same commodity prices have increased by approximately 15% over the 8 year period that residential and small commercial electricity rates have not increased.

The significant benefits realized by electricity ratepayers in Manitoba since 1992 are illustrated in the following chart:

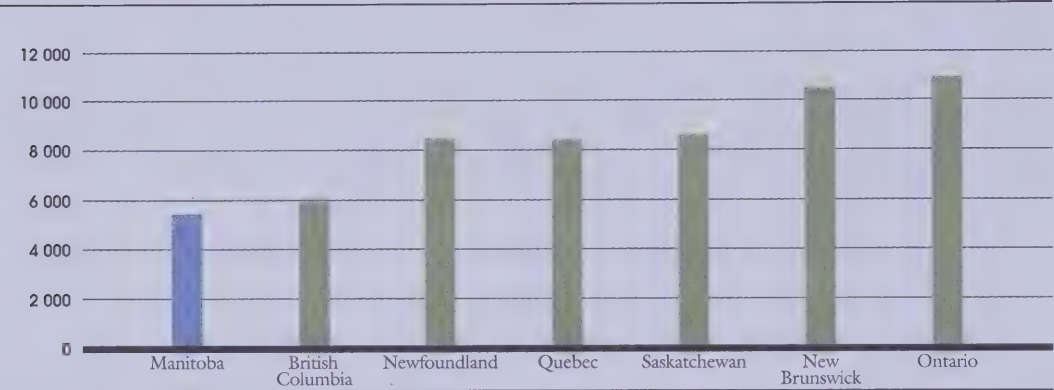


As indicated in the following charts, Manitoba Hydro continues to offer the lowest electricity rates in Canada:

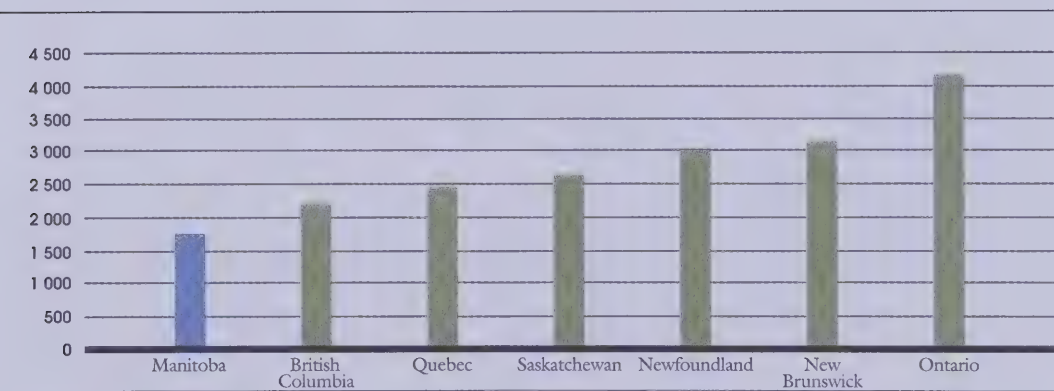


MANAGEMENT'S DISCUSSION AND ANALYSIS

General Service Electric Bills
300 kW and 120 000 kWh per month
dollars per month



Industrial Electric Bills
100 MW and 62 GWh per month
thousands of dollars per month



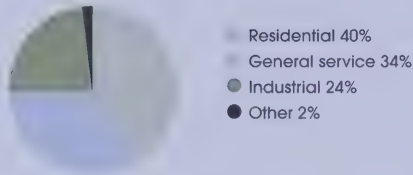
Manitoba Electricity Sales

	2004-05 <i>millions of dollars</i>	2003-04	% change	2004-05 <i>billions of kWh</i>	2003-04	% change
Residential customers	386	368	4.9	6.4	6.3	1.6
General service customers	326	339	(3.8)	6.3	6.2	1.6
Industrial customers	227	211	7.6	7.1	6.8	4.4
Other	15	18	(16.7)	—	—	—
	954	936	1.9	19.8	19.3	2.6

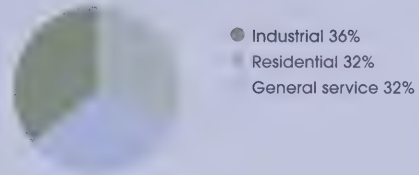
MANAGEMENT'S DISCUSSION AND ANALYSIS

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Manitoba Electricity
Revenue



Manitoba kWh
Consumption



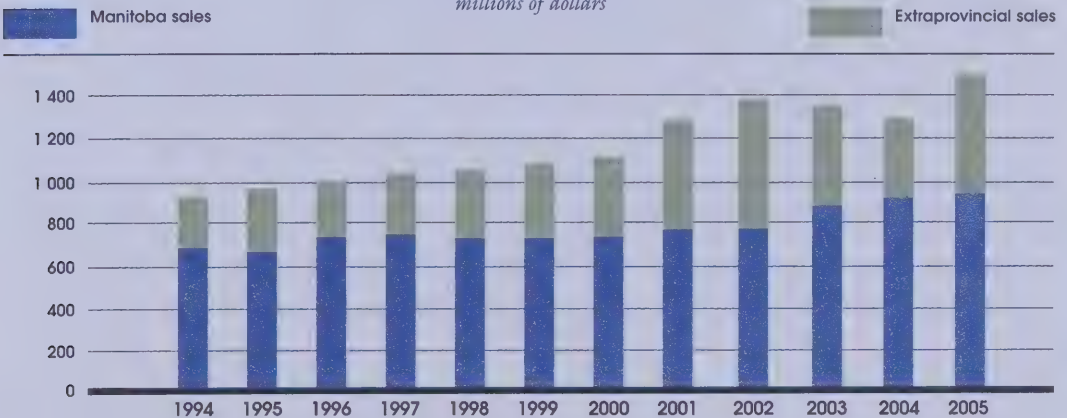
Electricity consumption for 2004-05 in Manitoba was 19.8 billion kilowatt-hours, an increase of 0.5 billion kilowatt-hours from the previous year.

Revenue from sales to residential customers for 2004-05 increased by \$18 million to \$386 million, \$13 million of which was due to the rate increase, with the remainder primarily due to increased consumption as a result of colder temperatures. The number of residential customers increased by 3 887 new customers, and totaled 442 840 at March 31, 2005.

Revenue from general service customers totaled \$326 million in 2004-05, a decrease of \$13 million compared to the previous year. The decrease was mainly attributable to a negotiated settlement with the four First Nation communities of Shamattawa, Brochet, Lac Brochet, and Tadoule Lake pertaining to the costs to provide these communities with diesel-electric service. The negotiated settlement will allow for substantially lower electricity rates in the four communities.

Revenue from large industrial customers increased by \$16 million to \$227 million for 2004-05. Production increases and plant expansions for several customers accounted for \$10 million of the increase and the rate increase contributed an additional \$6 million.

Electricity Revenue
millions of dollars



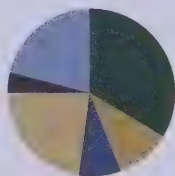
MANAGEMENT'S DISCUSSION AND ANALYSIS

Extraprovincial revenues increased by \$203 million over the previous fiscal year to \$554 million. The increase was directly related to improved water levels in the current fiscal year. Energy sold outside of Manitoba increased by 3.8 billion kilowatt-hours and amounted to 10.8 billion kilowatt-hours for the year. Of the total extraprovincial revenue, \$476 million or 86% was derived from the U.S. market, while \$78 million or 14% was from sales to Canadian markets.

Expenses attributable to electricity operations for 2004-05 were \$1 363 million, a significant decrease of \$348 million from the previous fiscal year. The major contributor to the reduced expenses was lower fuel and power purchases of \$434 million as a result of improved water flow conditions. Partially offsetting lower fuel and power purchases were higher costs associated with operating and administrative, depreciation, water rentals, and finance expense.

Electricity Expenses	2004-05 <i>millions of dollars</i>	2003-04	% change
Operating and administrative	308	293	5.1
Depreciation and amortization	289	274	5.5
Water rentals and assessments	111	71	56.3
Fuel and power purchased	135	569	—
Capital and other taxes	52	51	2.0
Finance expense	468	453	3.3
	1 363	1 711	(20.3)

Electricity Expenses



- Finance expense 34%
- Operating and administrative 23%
- Depreciation 21%
- Fuel and power purchased 10%
- Water rentals 8%
- Capital and other taxes 4%

Operating and administrative expenses amounted to \$308 million in 2004-05, an increase of 5.1% or \$15 million over 2003-04. The increase is mainly attributable to higher maintenance requirements on the generation, transmission, and distribution systems of the Corporation.

MANAGEMENT'S DISCUSSION AND ANALYSIS

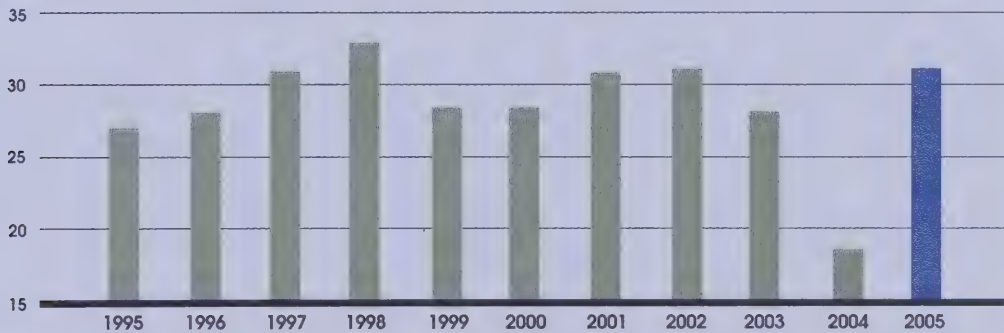
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Depreciation expense totaled \$289 million in 2004-05, an increase of \$15 million or 5.5% over 2003-04. The increase was mainly attributable to new additions to plant and equipment during the year.

Electricity Depreciation and Amortization	2004-05	2003-04	% change
	<i>millions of dollars</i>		
Generation	90	87	3.4
Transmission	10	10	—
Stations	60	58	3.4
Distribution	70	66	6.1
Other	59	53	11.3
	289	274	5.5

Water rentals are paid to the Province of Manitoba for the use of water resources by Manitoba Hydro in the operation of its hydroelectric generating stations. The \$40 million increase in water rentals reflects higher water flows on Manitoba's major river systems and the resulting increase in hydraulic generation from 18.5 billion kilowatt-hours in 2003-04 to 31.1 billion kilowatt-hours in 2004-05.

Hydraulic Generation
billions of kWh



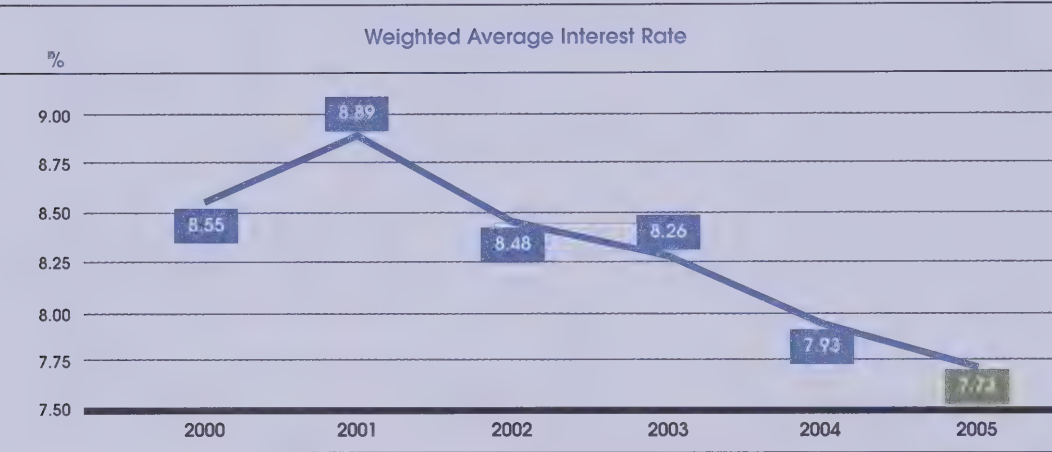
Fuel and power purchased amounted to \$135 million in 2004-05, a decrease of \$434 million from the previous year. This substantial decline was a direct result of improved water flows which reduced the utility's requirement for imported power by \$406 million and decreased the need for thermal generation by \$38 million. This was partly offset by higher transmission costs of \$10 million related to transmission service reservations. In total, power purchases and thermal generation amounted to 2.7 billion kilowatt-hours compared to 10.4 billion kilowatt-hours during the previous year.

Finance expense totaled \$468 million in 2004-05, an increase of \$15 million compared to the previous year. The net increase reflects a decrease in gains on the sale of sinking fund investments compared to the previous year, partially offset by favourable borrowing rates. Low interest rates for new debt and floating rate debt reduced the Corporation's weighted average interest rate from 7.93% in 2003-04 to 7.73% in 2004-05.

MANAGEMENT'S DISCUSSION AND ANALYSIS

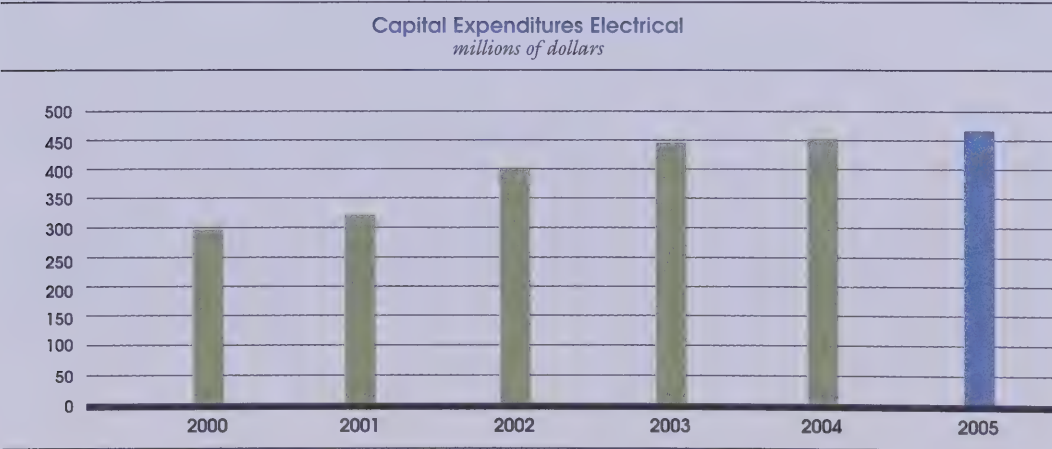
In 2004-05, proceeds received from new financing arranged by the Corporation amounted to \$300 million through the issuance of Provincial Advances. Proceeds from new financing were used to fund new cash requirements.

In 2004-05, the Corporation retired \$239 million of debt that was comprised of Manitoba Hydro-Savings Bonds of \$219 million, and Manitoba Hydro-Electric Board Bonds of \$20 million.



ELECTRICITY CAPITAL EXPENDITURES

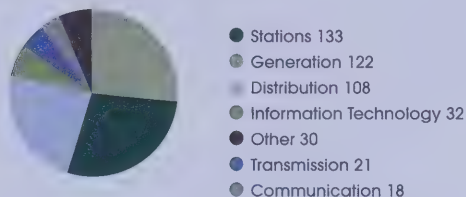
Expenditures for capital construction in the electricity sector totaled \$464 million in 2004-05 compared to \$453 million during the previous fiscal year. Generation capital expenditures of \$122 million included \$23 million for hydraulic generation system upgrades and \$63 million related to future generation facilities. New transmission line and transmission upgrade projects totaled \$21 million. Substation additions and upgrades were \$133 million, including a \$22 million expenditure to replace mercury-arc valves with thyristor valves to improve transmission reliability. Distribution system additions and modifications were \$108 million to meet the service requirements of customers throughout the province. New information technology development was \$32 million while communication projects were \$18 million and the remaining capital expenditures of \$30 million were for replacement of equipment and facilities.



MANAGEMENT'S DISCUSSION AND ANALYSIS

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Electricity Capital Expenditures in 2005 *millions of dollars*



NATURAL GAS OPERATIONS

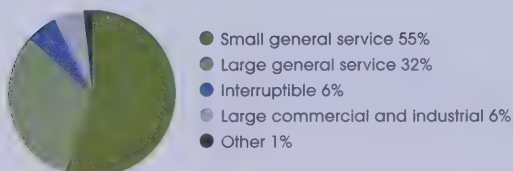
Centra Gas Manitoba Inc. (Centra) is a wholly-owned subsidiary of Manitoba Hydro. Centra distributes natural gas to approximately 231 300 residential, 16 800 commercial, and 7 800 industrial customers in the Province of Manitoba.

The net loss in the natural gas sector in 2004-05 was \$2 million compared to a net loss of \$8 million incurred in the previous year. The reduced net loss was mainly attributable to a 2.5% general rate increase implemented February 1, 2005 and increased demand due to colder weather. The general rate increase is projected to generate approximately \$12 million in additional revenue in 2005-06 and will return the gas sector to profitability in that year.

Revenues from the sale and distribution of natural gas during 2004-05 were \$509 million, an increase of \$15 million from the previous year. After deducting the cost of gas sold, which is a pass-through cost with no mark up by Centra, net revenues amounted to \$125 million, an increase of \$6 million or 5% from fiscal 2003-04. Natural gas deliveries were 2 157 million cubic metres in 2004-05 compared to 2 123 million cubic metres in 2003-04.

	Gas Revenue			Gas Deliveries		
	2004-05 <i>millions of dollars</i>	2003-04	%Change	2004-05 <i>millions of cubic metres</i>	2003-04	%Change
Small general service	282	266	6.0	786	741	6.1
Large general service	163	155	5.2	545	520	4.8
Large commercial and industrial	30	37	(18.9)	148	164	(9.8)
Interruptible	28	29	(3.4)	119	121	(1.7)
T-service and other	6	7	(14.3)	559	577	(3.1)
	509	494	3.0	2 157	2 123	1.6

Natural Gas Revenue



Natural Gas Deliveries



MANAGEMENT'S DISCUSSION AND ANALYSIS

In accordance with Centra's rate setting methodology, natural gas rates are changed every quarter based on 12-month forward natural gas market prices. The following provides the annualized impacts to a typical residential customer resulting from quarterly rate changes in the cost of gas:

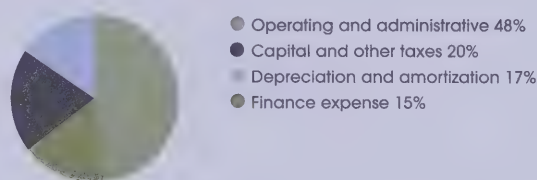
- May 1, 2004 2.9% increase
- August 1, 2004 2.3% increase
- November 1, 2004 2.4% decrease
- February 1, 2005 5.2% decrease

In addition, on February 1, 2005 the PUB approved on an interim basis, a 2.5% general rate increase related to the non-gas costs of operating the utility. The PUB will further review the increase in non-gas costs at the General Rate Application hearing to be held in May and June, 2005.

Expenses related to the natural gas operations, excluding cost of gas sold, were \$115 million in 2004-05, an increase of \$3 million from the prior year. Operating and customer service costs associated with the natural gas operations increased by \$2 million and capital and other taxes increased by \$1 million.

Natural Gas Expenses	2004-05	2003-04	% Change
	<i>millions of dollars</i>		
Operating and administrative	55	53	3.8
Depreciation and amortization	20	20	—
Capital and other taxes	23	22	4.5
Finance expense	17	17	—
	115	112	2.7

Natural Gas Expenses



Centra purchased 904 million cubic metres of natural gas based on monthly Alberta indexed pricing and 397 million cubic metres under daily Alberta indexed pricing. Centra also delivered natural gas on behalf of brokers to 45 678 (2004 - 37 333) customers receiving natural gas under Direct Purchase arrangements.

NATURAL GAS CAPITAL EXPENDITURES

Capital expenditures in the natural gas sector were \$23 million in 2004-05 compared to \$32 million for the previous fiscal year. The capital expenditure program reflects the continuing growth in new business, system improvement and other expenditures to meet the needs of the existing customer base and to bring natural gas services to more Manitobans.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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SUBSIDIARIES

In addition to Centra Gas, the Corporation has a number of wholly-owned subsidiaries involved in energy-related business enterprises for purposes of enhancing stakeholder service and value. Four of the most significant subsidiaries are:

Manitoba Hydro Utility Services Ltd. (MHUS) provides meter reading and related services to Manitoba Hydro and other utilities.

Manitoba HVDC Research Centre Inc. (HVDC) provides research and development services and products to the electrical power system industry.

Manitoba Hydro International Ltd. (MHI) provides professional consulting, operations, maintenance and project management services to energy sectors world-wide, either exclusively or through partnerships.

Meridium Power Inc. (MP) distributes motive power and power protection products, ranging from large horsepower single phase motors to battery-free power protection systems for industrial and telecommunication applications.

The following table outlines the revenues and expenses of the subsidiary companies that are included in the consolidated financial statements of Manitoba Hydro.

	MHUS	HVDC	MHI	MP	Total
	<i>in thousands of dollars</i>				
Revenues	4 799	3 532	7 654	532	16 517
Expenses	4 690	3 068	7 299	763	15 820
Net income (loss)	109	464	355	(231)	697

CORPORATE GOALS

The Corporate Strategic Plan is built upon Manitoba Hydro's vision "to be the best utility in North America with respect to safety, rates, reliability, customer satisfaction, and environmental management and to always be considerate of the needs of customers, employees, and stakeholders". The following goals are among those that the Corporation strives to achieve in the pursuit of its corporate vision:

Continuously Improve Safety in the Work Environment

Safety improvement is the Corporation's most important goal. Manitoba Hydro is committed to significantly improving its safety performance and is implementing a comprehensive safety management system including behaviour-based safety initiatives.

Provide Customers with Exceptional Value

Manitoba Hydro provides exceptional value to customers through low rates, public safety, service reliability and customer satisfaction.

Be a Leader in Strengthening Working Relationships with Aboriginal Peoples

Manitoba Hydro is one of the leading utilities in Canada with respect to Aboriginal representation in its workforce. The Corporation continues to place emphasis on building enduring working relationships with Aboriginal peoples.

Improve Corporate Financial Strength

The Corporation has three primary financial targets to enhance its financial strength, to contribute to rate stability and predictability, and to protect the Corporation and its customers from a variety of other risks. The financial targets are Interest Coverage, Capital Coverage, and Debt/Equity.

Maximize Export Power Net Revenues

The ability to sell surplus energy into export markets has contributed significantly to low domestic rates in Manitoba. It is projected that export revenues will continue to be a significant and growing proportion of corporate revenues.

Have a Diverse Workforce that Reflects the Demographics of Manitoba

In addition to its leading performance in Aboriginal representation in the workforce, the Corporation has ambitious employment equity targets for other designated groups in Manitoba.

Be Proactive in Protecting the Environment

Through careful management of new and existing facilities and infrastructure, Manitoba Hydro continues to operate in an environmentally responsible manner. Manitoba Hydro is dedicated to sustainable development and protecting the environment.

Be a Leader in Implementing Energy Conservation Programs

Manitoba Hydro is recognized as a Canadian leader in promoting the wise and efficient use of energy. In maintaining its leadership position, the Corporation has announced a doubling of its Power Smart targets to be achieved by 2017-18.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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PERFORMANCE MEASURES

The following performance measures are among those utilized by the Corporation in measuring progress towards the achievement of its goals:

Goal	Measure	Target	Performance
Safety in the Work Environment	High-risk accidents	0 accidents	20 accidents
	Accident severity rate (per 200 000 hours worked)	< 16 days	26.5 days
	Accident frequency rate (per 200 000 hours worked)	< 0.8 accidents	2.1 accidents
Exceptional Value for Customers	Retail electric rates	Lowest in Canada	Lowest in Canada
	Retail natural gas rates	Among lowest in Canada	Mid-point in Canada
	Average electric customer outage time (per customer per year)	< 92 minutes	78.7 minutes
	Average electric customer outage frequency (per customer per year)	< 1.3 outages	1.1 outages
	CEA Customer Service Index	Best in Canada	Best in Canada
Working Relationships with Aboriginal Peoples	% Aboriginal employment Corporate	12% by 2007	10.7%
	% Aboriginal employment Northern	37% by 2007	34.4%
Finance	Interest Coverage	> 1.20	1.25
	Capital Coverage	> 1.0	1.20
	Debt/Equity (by 2011-12)	75 : 25	85 : 15
Maximizing Export Revenues	Net export revenue as a % of total electric revenue	40% by 2015-16	26%
Diverse Workforce	Women	26%	24%
	Persons with disabilities	4.6%	4%
	Visible minorities	4%	3.5%
	Aboriginal peoples	12%	10.7%
Protecting the Environment	Environmental component of CEA Customer Service Index	> 8.5	7.4
	Net Greenhouse Gas Emissions (6% below 1990 levels)	< 0.52 megatonnes	0.56 megatonnes
Energy Conservation	GWh saved	2 637 GWh per year by 2017-18	970 GWh
	MW saved	842 MW by 2017-18	385 MW

RISK MANAGEMENT

Manitoba Hydro faces a number of operational and business risks in the fulfillment of its mandate. The principal risks and uncertainties include: water supply, energy market prices, future energy supply and demand, infrastructure security, interest and foreign exchange rates, and the maintenance of strategic business relationships.

All major risks are closely monitored and effectively managed by the Corporation through a systematic and coordinated process. A Risk Management Steering Committee coordinates risk management activities across the Corporation. Risk management activities include risk identification and assessment, risk monitoring, the establishment of risk tolerances, and risk mitigation. Each of our subsidiaries is also required to complete a formal risk assessment and to develop a risk mitigation strategy.

All identified risks are quantified within reasonable ranges of materiality. The principal quantified risks are summarized in the following table:

Risk	Potential Range
Loss of export market	> 30% of revenue
Drought	Up to \$2 billion
Infrastructure	> \$1 billion
Interest rates	Up to \$15 million
Foreign exchange rates	Up to \$10 million

Sensitivity analysis is conducted on all major risks to determine the Corporation's risk exposure and to ensure that risks are within established tolerances. Actions are taken to reduce the likelihood of negative events occurring or, where appropriate, to reduce the consequences should negative events occur.

In addition to its risk management activities, Manitoba Hydro has a formal Corporate Emergency Response Plan to ensure effective and coordinated responses to emergencies or disasters. The Emergency Response Plan also ensures appropriate communication and coordination with other public authorities and emergency measure organizations as necessary to respond to unexpected events.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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OUTLOOK

Manitoba Hydro will continue to work towards the achievement of the strategic goals identified in our Corporate Strategic Plan. These goals focus on safety, service, reliability, Aboriginal relations, energy conservation, the environment, and financial performance.

With the approval by Manitoba's Clean Environment Commission of the proposed Wuskwatim 200 MW Generating Station, to be jointly developed by Manitoba Hydro and the Nisichawayasihk Cree Nation (NCN) of Nelson House, the project is now one step closer to commencing. It is anticipated that final approval to proceed will be obtained during the 2005-06 fiscal year.

The Wuskwatim project is paving the way for other future development projects as studies relating to the 620 MW Keeyask and 1 250 MW Conawapa Generating Stations are continuing, along with discussions with Ontario for a potential power sale. The Keeyask Generating Station project is currently being examined in partnership with Tataskweyak, War Lake, Fox Lake, and York Factory First Nations.

In April 2005, the province's first wind turbine was installed at St. Leon, Manitoba. The St. Leon wind generation is the first of its kind in Manitoba, and upon completion will be the largest in Canada. A further 62 turbines are to be installed on the 36 square mile site by the end of the year. A privately funded project, it has a power purchase agreement in place enabling Manitoba Hydro to purchase the energy produced for up to 25 years. Manitoba Hydro is committed to the economic development of wind resources and additional sites are being assessed for their wind generation potential.

The final design has been selected for Manitoba Hydro's signature head office building to be built in downtown Winnipeg. With a planned completion date in late 2007, the building will consist of 27 floors of energy-efficient, leading edge architecture. Once completed, the building will be one of the most energy-efficient commercial buildings in the world, consuming approximately 60% less energy than a conventional building of similar size.

Effective April 1, 2005, a new centrally operated electricity market for the U.S. Midwest region (from parts of North Dakota down through Minnesota, Wisconsin and Illinois through to Kentucky) began operation. Greater than 80% of Manitoba Hydro's export sales are into this region. The new centrally operated market referred to as MISO Day II (Midwest Independent System Operator) operates similar to other trading exchanges where power sales and purchases are transacted directly with the exchange rather than utilities transacting directly with one another. The new market offers a broader range of electricity products thereby providing more sales opportunities to Manitoba Hydro. In response to these new developments, Manitoba Hydro acquired and developed a state-of-the-art information system for buying, selling, scheduling, and billing electricity.

Following a successful 14 years of Power Smart program energy savings, Manitoba Hydro is increasing its program targets significantly to 842 MW and 2 637 GWh per year to be achieved by 2017-18. Further efforts to strengthen Manitoba Hydro's leading environmental stewardship role are to be undertaken in 2005 when Demand Side Management activities will be extended to Manitoba Hydro's natural gas operations.

Manitoba Hydro projects that consolidated net income will exceed \$200 million in 2005-06, and with average or better water conditions, the financial strength of the Corporation will continue to improve over the next number of years. As one of the leading providers of self-sustaining, low-cost energy in North America, Manitoba Hydro is well positioned to provide increasing and enduring value to Manitoba stakeholders.

MANAGEMENT REPORT

For the year ended March 31

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The accompanying consolidated financial statements and all additional information contained in the Annual Report are the responsibility of management and have been approved by the Manitoba Hydro-Electric Board. The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, applied on a basis consistent with that of the preceding year. In management's opinion the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to June 2, 2005. The financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

Management maintains internal controls to provide reasonable assurance that the assets of the Corporation are properly safeguarded and that the financial information is reliable, timely, and accurate. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its finding to management and to the Audit Committee of the Board.

The responsibility of the external auditors, Ernst & Young LLP, is to express an independent, professional opinion on whether the consolidated financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and their opinion.

The Audit Committee of the Board is composed of three members of the Manitoba Hydro-Electric Board. The Audit Committee of the Board meets with the external auditors, representatives of the Auditor General's Office, the internal auditors, and management to satisfy itself that each group has properly discharged its respective responsibility and to review the consolidated financial statements before recommending approval by the Board. The Board has reviewed the Annual Report in advance of its release and has approved its content and authorized its publication.

On behalf of management:



R. B. Brennan, F.C.A.
President and Chief Executive Officer



V. A. Warden, C.M.A., F.C.M.A.
Vice-President
Finance and Administration and
Chief Financial Officer

Winnipeg, Canada
June 2, 2005



AUDITORS' REPORT

To the Manitoba Hydro-Electric Board

We have audited the consolidated balance sheet of The Manitoba Hydro-Electric Board as at March 31, 2005 and the consolidated statements of income, retained earnings and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada
June 2, 2005

CONSOLIDATED STATEMENT OF INCOME

For the year ended March 31

	Notes	2005	2004
		<i>millions of dollars</i>	
Revenues			
Electric		954	936
Manitoba			
Extraprovincial	2	554	351
Gas		384	375
Commodity			
Distribution		125	119
		2 017	1 781
Cost of gas sold		384	375
		1 633	1 406
Expenses			
Operating and administrative		363	346
Depreciation and amortization		311	296
Water rentals and assessments	3	111	71
Fuel and power purchased		135	569
Capital and other taxes		75	73
		995	1 355
Income before finance expense		638	51
Finance expense	4	502	487
Net income (loss)		136	(436)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended March 31

	2005	2004
	<i>millions of dollars</i>	
Retained earnings, beginning of year	734	1 170
Net income (loss)	136	(436)
Retained earnings, end of year	870	734

The accompanying notes are an integral part of the consolidated financial statements.



CONSOLIDATED BALANCE SHEET

As at March 31

	Notes	2005	2004
<i>millions of dollars</i>			
Assets			
Property, Plant and Equipment			
In service		10 748	10 399
Less accumulated depreciation		3 447	3 241
		7 301	7 158
Construction in progress		475	378
	5	7 776	7 536
Current Assets			
Bank balances and temporary investments		9	6
Accounts receivable and accrued revenue		409	371
Interest receivable		6	7
Materials and supplies, at average cost		84	81
		508	465
Other Assets			
Sinking fund investments	6	562	715
Pension assets	7	615	556
Deferred debt and other costs	8	340	523
Goodwill		108	108
		1 625	1 902
		9 909	9 903

Approved on behalf of the Board:

Victor H. Schroeder, Q.C.
Chair of the Board

Carol Bellringer, C.A., M.B.A.
Chair of the Audit Committee

	Notes	2005	2004
<i>millions of dollars</i>			
Liabilities and retained earnings			
Long-Term Debt			
Long-term debt net of sinking fund investments		6 486	6 399
Sinking fund investments shown as assets	6	562	715
	9	7 048	7 114
Current Liabilities			
Accounts payable and accrued liabilities		256	255
Notes payable	10	59	93
Accrued interest		106	107
Current portion of long-term debt	9	156	276
		577	731
Other Liabilities			
Deferred liabilities and credits	11	316	294
Pension obligation	7	559	507
Asset purchase obligation	12	243	249
		1 118	1 050
Contributions in Aid of Construction		296	274
Retained Earnings		870	734
		9 909	9 903

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31

	Notes	2005	2004
		<i>millions of dollars</i>	
Operating Activities			
Cash receipts from customers		1 977	1 813
Cash paid to suppliers and employees		(1 044)	(1 449)
Interest paid		(529)	(537)
Interest received		29	46
		433	(127)
Financing Activities			
Proceeds from long-term debt		300	1 013
Sinking fund withdrawals		236	269
Retirement of long-term debt		(239)	(474)
Discount on long-term debt		(6)	–
Mitigation liability	15	(20)	(16)
Distribution to the Province of Manitoba		–	(3)
Notes payable		(35)	(36)
		236	753
Investing Activities			
Property, plant and equipment, net of contributions		(505)	(498)
Sinking fund payment		(100)	(106)
Other		(61)	(46)
		(666)	(650)
Net Increase (Decrease) In Cash		3	(24)
Cash at beginning of year		6	30
Cash at end of year		9	6

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2005

Note 1 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements include the financial statements of the Corporation and its subsidiaries. For purposes of consolidation, all significant intercompany accounts and transactions have been eliminated.

a) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost which includes direct labour, materials, contracted services, a proportionate share of overhead costs and interest applied at the weighted average cost of capital. Finance expense is allocated to construction until a capital project becomes operational or a decision is made to abandon, cancel or indefinitely defer construction. Once the transfer to in service property, plant and equipment is made, finance expense allocated to construction ceases and depreciation and finance expense charged to operations commences.

b) DEPRECIATION

Depreciation is provided on a straight-line remaining life basis. The major components of generating stations are depreciated over the lesser of the remaining life of the major component or the remaining life of the associated generating station.

The range of estimated service lives of each major asset category is as follows:

Generation	- Hydraulic	45 - 100 years
	- Thermal	25 - 45 years
Transmission	- Lines	20 - 53 years
	- Stations	20 - 53 years
Distribution (electricity and gas)		20 - 65 years

Provision for removal costs of major property, plant and equipment is charged to depreciation expense on a straight-line basis over the remaining service lives of the related assets. In accordance with utility accounting practices, retirements of these assets, including costs of removal, are charged to accumulated depreciation with no gains or losses reflected in operations. The estimated service lives and removal costs of the assets are based upon depreciation studies conducted periodically by the Corporation.

c) ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations are measured initially at fair value in the period in which the obligations are incurred, provided that a reasonable estimate of the fair value can be made. The present value of the retirement cost is added to the carrying amount of the related asset. In subsequent periods the retirement cost is amortized over the useful life of the asset and the carrying value of the liability is increased to recognize increases in the liability's present value with the passage of time.

d)

FOREIGN CURRENCY TRANSLATION

Revenues and expenditures resulting from transactions in foreign currencies are translated into Canadian dollar equivalents at exchange rates in effect at the transaction dates except to the extent that revenues are used to hedge future long-term foreign debt obligations. In accordance with the Corporation's Exposure Management Program, revenues used as hedges are firm U.S. export revenues which are translated at the historical book value exchange rates of the respective U.S. debt obligations to which the firm revenues are linked and for which they, together, form an effective hedge. The maturity dates of U.S. debt obligations extend through 2023. For purposes of bridging the timing of U.S. debt maturities and the U.S. revenue streams used to hedge those debt maturities, the Corporation utilizes U.S. sinking funds. The investment income from the U.S. sinking fund is retained within the Exposure Management Program to form part of the long-term debt obligation hedge.

Long term monetary assets and liabilities denominated in U.S. currencies are translated into Canadian currency at the exchange rate prevailing at the balance sheet date. The exchange gains or losses, resulting from the translation of these long-term monetary items, which are related to liabilities hedged by future U.S. revenue streams, are deferred to the date in which the sales are made.

Current monetary assets and liabilities denominated in foreign currencies are translated into Canadian currency at the exchange rate prevailing at the balance sheet date. Any exchange gains and losses on the translation of current monetary assets and liabilities are credited or charged to operations in the current period.

c)

EMPLOYEE FUTURE BENEFITS

Manitoba Hydro provides employee future benefits including pension and other post-retirement benefits to both existing and retired employees. Pension plans include the Manitoba Civil Service Superannuation Plan (the Fund), three Centra Gas Manitoba Inc. curtailed pension plans, and the Winnipeg Civic Employees' Benefits Program.

The costs and obligations of the pension and other post-retirement benefits are calculated by an independent actuary using the accrued benefit actuarial cost method with salary projection and management's best estimate economic and demographic assumptions. Pension expense is comprised of the cost of pension benefits provided during the year plus the amortization of past service benefits and experience gains and losses net of expected returns on fund assets. Expected returns on fund assets are calculated using market related values based on a five year moving average approach. The unamortized present value of past service benefits and actuarially determined experience gains or losses are recognized in the financial statements as deferred assets or credits.

The Corporation utilizes the "corridor method" of amortizing actuarial gains and losses. The amortization of experience gains and losses is recognized only to the extent that the cumulative unamortized net actuarial gain or loss exceeds 10 % of the greater of the accrued benefit obligation and the fair market value of plan assets at the beginning of the year. When required, the excess of the cumulative gain or loss balance is amortized over the expected average remaining service life of the employees covered by the plan.

All pension assets of the Fund are stated at current market value. Pension and long-term disability expenses pertaining to the former Winnipeg Hydro employees are recognized at the time contributions are made to the City of Winnipeg Civic Employees Benefit Board Program (EBBP). The EBBP is a defined benefit pension plan with multiple participating employers.

Other employee benefits earned by employees include vacation, vested sick leave, long-term disability and a retirement health spending plan. Where applicable, the cost of these benefits is determined based on management's best estimate economic and demographic assumptions. Such benefits are paid out at time of retirement.

f) **DEBT DISCOUNTS AND PREMIUMS**

Debt discounts and premiums are amortized to finance expense on a straight-line basis over the life of the respective debt.

g) **SINKING FUND INVESTMENTS**

The Corporation records sinking fund investments at par value. The difference between the cost and the par value of each investment is recorded as a premium or discount and is amortized on a straight-line basis over the remaining life of the investment. Any gain or loss on early disposal of investments is credited or charged to operations.

h) **TEMPORARY INVESTMENTS**

Temporary investments are recorded at the lower of cost or market.

i) **PLANNING STUDIES**

Planning studies costs related to uncommitted major generation or transmission facilities are deferred and amortized on a straight-line basis over 15 years. If there is reasonable assurance that a project will proceed to construction, any unamortized balance related to that project is transferred to construction in progress.

j) **POWER SMART PROGRAMS**

The costs of the Corporation's energy conservation programs, referred to as Power Smart, are deferred and amortized on a straight-line basis over periods of up to 15 years.

k) **SITE RESTORATION COSTS**

Site restoration costs incurred are recorded as a deferred expense and are amortized on a straight-line basis over 15 years.

l) **REVENUES**

Customers' meters are read and billed on a cyclical basis. Revenues are accrued in respect of energy delivered for those cycles not yet billed.

m) **CONTRIBUTIONS IN AID OF CONSTRUCTION**

Contributions are required from customers whenever the costs of extending service exceed specified construction allowances. Contributions are amortized on a straight-line basis over the estimated service lives of the related assets.

n) **COST OF GAS SOLD**

Cost of natural gas sold is recorded at the same rates charged to customers. The difference between the recorded cost of natural gas and the actual cost of natural gas is carried as an account receivable/payable and recovered or refunded in future rates.

o) **DERIVATIVE FINANCIAL INSTRUMENTS**

The Corporation utilizes derivative financial instruments to mitigate natural gas price volatility. Amounts paid or received under these derivative financial instruments are recognized as part of the cost of gas sold.

The Corporation mitigates natural gas price volatility to customers through the use of derivative products restricted to price swaps, call options and cashless collars. The Corporation hedges up to 100% of its primary baseload volumes for up to twelve (12) months forward. A stringent control environment is maintained to manage any risks related to the application of derivatives.



- p) **ACQUISITION COSTS**
Costs associated with the acquisition of Centra Gas Manitoba Inc. (Centra Gas) and Winnipeg Hydro have been deferred and are being amortized on a straight-line basis over a period of 30 years.
- q) **DEFERRED TAXES**
The taxes paid by Centra Gas as a result of its change to non-taxable status on acquisition by Manitoba Hydro have been deferred and are being amortized, on a straight-line basis, over a period of 30 years.
- r) **GOODWILL**
Goodwill represents the amount of the Corporation's investments in Centra Gas and Winnipeg Hydro over and above the fair market value of the net assets acquired. The goodwill balance is evaluated annually to determine whether any impairment has occurred. An impairment would be recognized if it was determined that the carrying value of the Corporation's investments in Centra Gas or Winnipeg Hydro exceeded the present value of the future cash flows from these investments. Should impairment occur, it would be recorded as a charge against operations in the year of impairment.
- s) **USE OF ESTIMATES**
The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual amounts could differ from those estimates, but differences are not expected to be material.
- t) **REGULATION**
The prices charged for the sale of electricity and natural gas within Manitoba are subject to review and approval by the Public Utilities Board of Manitoba. The consolidated financial statements take into account certain regulatory accounting practices which differ from accounting practices applied in unregulated enterprises, and which relate specifically to select deferred charges and the retirement of property, plant and equipment.

NOTE 2 EXTRAPROVINCIAL REVENUES

	2005	2004
	<i>millions of dollars</i>	
United States	476	297
Canada	78	54
	554	351

The effective exchange rate for translation of U.S. revenues used as a hedge of long-term debt is \$1.00 U.S. = \$1.232 Canadian (2004 - \$1.00 U.S. = \$1.232 Canadian).

NOTE 3 WATER RENTALS AND ASSESSMENTS

	2005	2004
	<i>millions of dollars</i>	
Water rentals	104	64
Assessments	6	6
Land rentals	1	1
	111	71

Water rentals are paid to the Province for the use of water resources in the operation of the Corporation's hydroelectric generating stations. Water rental rates during the year were \$3.34 per MWh (2004 - \$3.34 per MWh).



NOTE 4

FINANCE EXPENSE

	2005	2004
	<i>millions of dollars</i>	
Interest on debt	565	565
Interest allocated to construction	(35)	(35)
Investment income	(28)	(43)
	502	487

Included in interest on debt is \$70 million (2004 - \$70 million) related to the Provincial Debt Guarantee Fee. The fee during the year was 0.95% of the total outstanding debt guaranteed by the Province (2004 - 0.95%).

Investment income includes interest earned on Canadian and U.S. sinking funds established for the retirement of long-term debt. U.S. sinking fund interest income designated as a hedge of U.S. denominated long-term debt is recorded at the historical book value rate of the associated debt. The effective exchange rate for translation of these revenues is \$1.00 U.S. = \$1.232 Canadian (2004 - \$1.00 U.S. = \$1.232 Canadian).

NOTE 5

PROPERTY, PLANT AND EQUIPMENT

	2005			2004		
	millions of dollars					
	In Service	Accumulated Depreciation	Construction in Progress	In Service	Accumulated Depreciation	Construction in Progress
Generation						
– Hydraulic	4 264	1 224	283	4 200	1 164	233
– Thermal	481	184	10	469	165	4
Transmission						
– Lines	737	214	24	727	202	8
– Stations	2 002	778	91	1 925	760	73
Distribution	2 287	704	22	2 165	645	26
Other	977	343	45	913	305	34
	10 748	3 447	475	10 399	3 241	378

NOTE 6

SINKING FUND INVESTMENTS

As provided by The Manitoba Hydro Act, the Corporation pays an annual sinking fund installment to the Minister of Finance of the Province of Manitoba of not less than 1% of the principal amount of the outstanding debt on the preceding March 31, and 4% of the balance in the sinking fund at such date. Payments to the sinking fund during the year were \$100 million (2004 - \$106 million). Income earned on sinking fund investments is included with investment income for the year.

Sinking funds are invested in government bonds and the bonds of highly rated corporations and financial institutions.

	2005	2004
	<i>millions of dollars</i>	
Canadian investments	81	301
U.S. investments	481	414
	562	715

Canadian investments have a weighted average term to maturity of 3.6 years (2004 - 2.6 years) and an effective yield to maturity of 8.1% (2004 - 6.2%). U.S. investments have a weighted average term to maturity of 5.5 years (2004 - 7.0 years) and an effective yield to maturity of 4.3% (2004 - 4.7%). U.S. investments are translated into Canadian currency at the exchange rate prevailing at the balance sheet date, \$1.00 U.S. = \$1.21 Canadian (2004 - \$1.00 U.S. = \$ 1.31 Canadian).

NOTE 7 PENSION ASSETS AND OBLIGATION

Manitoba Hydro employees are eligible for pensions under the Manitoba Civil Service Superannuation Fund (the Fund). The Fund is a defined benefit plan that provides pension benefits based on years of service and on the average of the five best years earnings. The Fund requires the Corporation to contribute 50% of the pension disbursements made to retired employees. In addition, the former employees of Centra Gas are entitled to pension benefits earned under the Centra Gas curtailed pension plans up to December 31, 2000, for salaried employees and up to June 21, 2001, for unionized employees. The former Winnipeg Hydro employees continue to earn benefits under the City of Winnipeg Civic Employees' Benefit Board Program (EBBP) in which, upon its acquisition of Winnipeg Hydro, Manitoba Hydro became a participating employer. Like the Fund, the EBBP is a defined benefit plan that provides pension benefits based on years of service and on the average of the five best years earnings.

The most recent actuarial valuations for the Corporation's obligations for the Fund and Centra Gas curtailed pension plans were performed with respect to the liabilities outstanding as at December 31, 2004. These valuations incorporated management's best estimate assumptions and took into consideration the long-term nature of the pension plans. The next actuarial valuations for all plans will occur in December 2005.

The Centra Gas curtailed pension plans are also subject to a solvency valuation for funding purposes with the latest valuation taking place as at December 31, 2004.

The significant actuarial assumptions adopted in measuring the Corporation's pension and other employee benefit obligations are as follows:

	2005	2004
Discount rate	6.75%	7.0%
Expected long-term rate of return on plan assets	7.5%	7.5%
Rate of compensation increase, including merit and promotions	2.0-3.0%	2.0-3.0%
Expected average remaining service life of employees	14 years	14 years
Long-term inflation rate	2.0%	2.0%

The following tables present information concerning the Manitoba Civil Service Superannuation Fund and the Centra Gas curtailed pension plans:

	The Fund Pension Plan		Centra Gas Pension Plan	
	<i>millions of dollars</i>			
	2005	2004	2005	2004
Plan assets at fair value				
Balance at beginning of year	556	457	53	43
Actual return on plan assets	59	99	5	9
Employer contribution	—	—	4	4
Benefit payments and refunds	—	—	(3)	(3)
	615	556	59	53
Accrued benefit obligation				
Balance at beginning of year	507	479	66	65
Interest on obligation	36	33	5	5
Current service cost	15	15	—	—
Benefit payments and refunds	(22)	(20)	(3)	(4)
Actuarial losses	23	—	3	—
	559	507	71	66
Surplus (deficit) at end of year	56	49	(12)	(13)

The Manitoba Civil Service Superannuation Board manages the assets of the Fund on behalf of the Corporation. Pension assets are valued at market rates and are invested as follows:

	The Fund Pension Plan Fair Value		Centra Gas Pension Plan Fair Value	
	<i>millions of dollars</i>			
	2005	2004	2005	2004
Bonds and debentures	240	228	23	22
Equities	303	268	31	29
Short-term investments	24	19	4	1
Real estate	48	41	1	1
	615	556	59	53

The return on pension fund assets for the Fund was 10.7% (2004 - 21.6%). The return for the Centra Gas curtailed plan fund assets was 10.0% (2004 - 23.2%).

The weighted average term to maturity on fixed income investments is 7.6 years (2004 - 8.8 years).

The following table is a summary of the pension expense calculation for the Fund and the Centra Gas curtailed pension plans:

	The Fund Pension Plan Fair Value		Centra Gas Pension Plan Fair Value	
	<i>millions of dollars</i>			
	2005	2004	2005	2004
Current service cost	15	15	—	—
Administrative fees	1	1	—	—
Canada Pension Plan remittances	9	8	—	—
Interest on obligation	36	33	4	4
Expected return on plan assets	(41)	(39)	(4)	(4)
Amortization of net experience loss (gain)	2	1	1	1
Amortization of transitional loss (gain)	(1)	(1)	—	—
	21	18	1	1

Pension expense for the former Winnipeg Hydro employees is equal to employer contributions to the EBBP in addition to employer remittances to the Canada Pension Plan. Total contributions to the EBBP during the year amounted to \$0.4 million (2004 - \$0.2 million) and reflect an employer contribution rate approximating 1.4% of pensionable earnings.

NOTE 8 DEFERRED DEBT AND OTHER COSTS

	2005	2004
	<i>millions of dollars</i>	
Deferred foreign exchange	(45)	166
Premium on purchase of sinking fund investments	20	36
Power Smart programs	76	61
Planning studies	45	37
Deferred taxes	43	45
Pension and benefits	83	67
Contract receivables	40	33
Site restoration costs	25	20
Acquisition costs	18	19
Other	35	39
	340	523



Deferred foreign exchange represents the net translation gains and losses on U.S. long-term monetary items that will be offset through the translation of future U.S. firm revenue and investment income streams.

The amortization of deferred costs amounting to \$17 million (2004 - \$19 million) is included in depreciation and amortization expense.

NOTE 9 LONG-TERM DEBT

In 2005, the Corporation arranged long-term financing in the principal amount of \$300 million (2004 - \$1 013 million). Provincial advances were arranged for \$200 million with fixed coupon rates in the range of 5.7% to 5.8% and \$100 million with a floating coupon rate starting at 2.1%.

	2005	2004
	<i>millions of dollars</i>	
Advances from the Province of Manitoba represented by debenture debt of the Province	6 548	6 493
Manitoba HydroBonds	454	673
Manitoba Hydro-Electric Board Bonds	202	224
	7 204	7 390
Less: Current portion of long-term debt	156	276
	7 048	7 114

Included in the current portion of long-term debt is \$136 million (2004 - \$247 million) of debt maturities and \$20 million (2004 - \$29 million) of floating-rate Manitoba HydroBonds with maturity dates in 2007 and 2008. Floating rate Manitoba HydroBonds are redeemable at the option of the holder.

Long-term debt, excluding Manitoba Hydro-Electric Board Bonds issued for mitigation projects in the amount of \$50 million (2004 - \$64 million), is guaranteed by the Province of Manitoba.

Debt principal amounts are summarized by fiscal years of maturity in the following table:

	2005				2004	
	millions of Canadian dollars					
Years of Maturity	Canadian	U.S.	Total	Cdn Yields	U.S. Yields	Total
2006	156	—	156	3.8%	—	106
2007	72	—	72	6.1%	—	72
2008	294	—	294	5.5%	—	294
2009	—	298	298	—	6.0%	323
2010	159	299	458	5.6%	5.4%	483
	681	597	1 278	5.5%	5.6%	1 278
2011-2015	698	409	1 107	4.7%	7.0%	1 056
2016-2044	2 885	1 934	4 819	7.6%	7.6%	4 780
	4 264	2 940	7 204	7.3%	7.4%	7 114

U.S. debt is translated into Canadian currency at the exchange rate prevailing at the balance sheet date, \$1.00 U.S. = \$1.21 Canadian (2004 - \$1.00 U.S. = \$1.31 Canadian).

NOTE 10 NOTES PAYABLE

	2005	2004
	<i>millions of dollars</i>	
Canadian notes	59	81
U.S. notes	—	12
	59	93

Notes payable outstanding at March 31, 2005, have a term of 12 days and bear interest at the average rate of 2.5% (2004 - 2.0%). The Corporation has bank credit facilities that provide for overdrafts and notes payable up to an amount of \$500 million denominated in Canadian and/or U.S. currency.

NOTE 11 DEFERRED LIABILITIES AND CREDITS

	2005	2004
	<i>millions of dollars</i>	
Mitigation liability (note 15)	104	121
Employee future benefits, excluding pensions	114	90
Refundable advances from customers	27	25
Asset retirement obligations	31	15
Debt premium and expense	2	15
Interest income and other credits	38	28
	316	294

Asset retirement obligations have been recognized for the decommissioning of the Corporation's two thermal generating stations and for the removal and disposal of polychlorinated biphenyl contaminated fluid in HVDC converter station capacitors. The Corporation estimates the undiscounted cash flows required to settle the asset retirement obligations is approximately \$67 million, \$18 million of which will be incurred between 2005 - 2009 for polychlorinated biphenyl contaminated oil removal and disposal. The balance of \$49 million is expected to be incurred in 2024 as part of the decommissioning of Manitoba Hydro's two thermal generating stations. A discount rate of 6.75% was used to calculate the carrying value of the obligations. No funds are being set aside to settle the asset retirement obligations.

NOTE 12 ASSET PURCHASE OBLIGATION

Effective September 3, 2002, the Corporation acquired the net assets of Winnipeg Hydro from the City of Winnipeg. The results of Winnipeg Hydro's operations have been included in Manitoba Hydro's electric operations since that date. The Asset Purchase Obligation represents the net present value of payments to the City of Winnipeg of \$25 million per annum in years 2005 and 2006, \$20 million per annum in years 2007 to 2010, and \$16 million per annum in year 2011 and each year thereafter in perpetuity.

NOTE 13 FINANCIAL INSTRUMENTS

Derivative Financial Instruments

The Corporation has entered into cashless collar contracts until January 2006 to purchase 28 220 000 gigajoules (gj) of natural gas at a weighted average lower strike price of \$6.53/gj. The weighted average forward price per the Alberta Energy Company Exchange at March 31, 2005 was \$8.10/gj.

These contracts will be recorded in the month the natural gas is delivered. At March 31, 2005, the valuation of these contracts showed a positive fair value of \$22 million. There were no unrecognized financial liabilities relative to these contracts.

Fair Value

The estimated fair values of the Corporation's long-term debt and sinking fund investments are based on year-end market interest and exchange rates for similar debt and investment instruments. As at March 31, 2005, the estimated fair value of the Corporation's total long-term debt amounted to \$8 843 million (2004 - \$9 238 million). The estimated fair value of sinking fund investments which the Corporation uses for the purpose of repaying long-term debt amounted to \$584 million at March 31, 2005 (2004 - \$787 million).

The carrying values of all other financial assets and liabilities approximate fair value.

Foreign Exchange Risk

As at March 31, 2005, there were foreign exchange contract purchases of \$16 million U.S. at a weighted average exchange rate of \$1.21 (2004 - \$15 million U.S. at a weighted average exchange rate of \$1.31) and \$6 million U.K. pound sterling at a weighted average exchange rate of \$2.24 (2004 - no U.K. pound

sterling contract purchases) and foreign exchange contract sales of \$9 million U.S. at a weighted average exchange rate of \$1.21 (2004 - no foreign exchange contract sales). The carrying values of the foreign exchange contracts approximate their fair value.

Cross currency swap arrangements transacted by the Province of Manitoba (the Province) on the Corporation's behalf are utilized to manage exchange rate exposures and as a means to capitalize on favorable financing terms in either U.S. or Canadian capital markets. Cross currency agreements represent an exchange of principal and/or interest flows denominated in one currency for principal and/or interest flows denominated in another. Such transactions effectively amend the terms of the original debt obligation with the Province with the swapped debt arrangement.

Interest Rate Risk

Interest rate risk is associated with notes payable net of temporary investments, the current portion of long-term debt net of the current portion of sinking fund investments, and floating rate long-term debt which totaled \$1 345 million at March 31, 2005. For information purposes, an increase of 1% in the interest rate would reduce net income by \$13 million for March 31, 2005 (2004 - \$14 million).

Interest rate swap agreements transacted by the Province on the Corporation's behalf are utilized to manage the fixed and floating interest rate mix of the total debt portfolio, interest rate exposure, and related overall cost of borrowing. Interest rate swap agreements represent an agreement between two parties to periodically exchange payments of interest without the exchange of the principal amount upon which the payments are based. The Province may also enter into forward start interest rate swap arrangements where the agreement to exchange interest payments commences at some future date. In either swap arrangement, the terms of the debt advanced by the Province to the Corporation are amended by the swap.

Credit Risk

Credit risk on sinking fund investments, pension assets, and short-term investments is minimized as the Corporation invests exclusively in government-guaranteed bonds, highly rated investments or well diversified investment portfolios. The majority of the Corporation's accounts receivable are owing from domestic consumers who are in diversified industries and from sales to other utilities. Credit risk in the export market is minimized through the application of established credit requirements.

Credit risk associated with counterparties is minimized by establishing minimum credit rating requirements, setting potential exposure limits, and monitoring exposure against these limits, and when necessary, obtaining financial assurances from counterparties.

NOTE 14 COMMITMENTS AND CONTINGENCIES

Outstanding commitments, principally for construction, are approximately \$131 million (2004 - \$151 million). In addition, with the acquisition of Winnipeg Hydro, the Corporation has made a commitment to commence construction of an office building in downtown Winnipeg on or before September 3, 2007.

The Corporation will incur future costs associated with the assessment and remediation of contaminated lands and for the phase-out and destruction of polychlorinated biphenyl contaminated mineral oil from electrical equipment. Although these costs cannot be reasonably determined at this time, a contingent liability exists. The actual costs incurred are currently recorded in the period the remediation occurs.

NOTE 15 MITIGATION

The Corporation is party to an agreement dated December 16, 1977, with Canada, the Province of Manitoba and the Northern Flood Committee Inc., representing the five First Nations in the communities of Cross Lake, Nelson House, Norway House, Split Lake, and York Landing. This agreement, in part, provides for compensation and remedial measures necessary to ameliorate the impacts of the Churchill River Diversion and Lake Winnipeg Regulation projects. Comprehensive settlements have been reached with all communities except Cross Lake.

Expenditures incurred to mitigate the impacts of the Churchill River Diversion and Lake Winnipeg Regulation projects amounted to \$31 million during the year (2004 - \$29 million). To March 31, 2005, \$571 million (2004 - \$540 million) has been spent in mitigating and compensating the project-related impacts.

The Corporation has also entered into agreements with the Province of Manitoba whereby the Corporation has assumed obligations of the Province with respect to northern development projects. The Corporation assumed obligations, totaling \$143 million for which water power rental charges were fixed until March 31, 2001. The obligations outstanding at March 31, 2005 amounted to \$20 million (2004 - \$32 million).

In recognition of all anticipated payments, the Corporation has recorded a total liability of \$104 million (2004 - \$121 million). Reassessments of these liabilities will be made as settlements are achieved. There are other mitigation issues, the outcomes of which are not determinable at this time.

NOTE 16 SEGMENTED INFORMATION

The Corporation operates primarily in two business segments, electricity and natural gas. Each segment has its own particular economic characteristics and differs in nature, production processes, and technology. The electricity segment encompasses the generation, transmission, and distribution of electricity. The gas segment represents natural gas supply and distribution activities through the operations of Centra Gas. The Corporate segment represents the costs to acquire Centra Gas and to integrate its operations into those of Manitoba Hydro. These costs are allocated to gas and electricity segments in accordance with the synergies and benefits derived by each of these segments as a result of the acquisition.

The following table contains information related to the operating results, assets, liabilities and retained earnings by segment.

	Electricity		Gas		Corporate		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	<i>millions of dollars</i>							
Revenue	1 508	1 287	509	494	—	—	2 017	1 781
Expenses								
Operating and administrative	308	293	55	53	—	—	363	346
Depreciation and amortization	289	274	20	20	2	2	311	296
Water rentals and assessments	111	71	—	—	—	—	111	71
Fuel & power purchased	135	569	—	—	—	—	135	569
Capital and other taxes	52	51	23	22	—	—	75	73
Cost of gas sold	—	—	384	375	—	—	384	375
Finance expense	468	453	17	17	17	17	502	487
Total expenses	1 363	1 711	499	487	19	19	1 881	2 217
Net income (loss) before allocation	145	(424)	10	7	(19)	(19)	136	(436)
Corporate allocation	(7)	(4)	(12)	(15)	19	19	—	—
Net income (loss) after allocation	138	(428)	(2)	(8)	—	—	136	(436)
Total assets	9 353	9 357	556	546	—	—	9 909	9 903
Total liabilities	8 508	8 650	531	519	—	—	9 039	9 169
Total retained earnings	845	707	25	27	—	—	870	734

NOTE 17 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2004 have been reclassified in order to conform to the presentation adopted in 2005.

FINANCIAL STATISTICS

For the year ended March 31

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
<i>millions of dollars</i>										
Revenues										
Electrical:										
Residential	386	368	354	314	320	300	300	299	312	301
General Service	553	550	521	472	461	437	448	440	438	434
Extraprovincial	554	351	463	588	480	376	326	297	268	246
Other Revenue	15	18	16	11	8	9	6	5	6	5
Gas:										
Residential	244	235	247	225	240	137	-	-	-	-
Commercial / Industrial	258	252	261	248	259	130	-	-	-	-
Transportation	5	4	4	4	2	1	-	-	-	-
Other Revenue	2	3	3	2	3	1	-	-	-	-
	2 017	1 781	1 869	1 864	1 773	1 391	1 080	1 041	1 024	986
Expenses										
Operating and Administrative	363	346	326	298	285	269	223	213	226	224
Depreciation and Amortization	311	296	281	260	249	227	198	191	178	169
Water Rentals	111	71	103	113	56	51	50	56	51	47
Fuel and Power Purchased	135	569	151	71	48	33	59	14	13	14
Finance Expense	502	487	479	482	420	419	411	419	418	426
Capital and Other Taxes	75	73	66	61	61	58	39	37	37	36
Cost of Gas Sold	384	375	392	365	384	182	-	-	-	-
	1 881	2 217	1 798	1 650	1 503	1 239	980	930	923	916
Net Income	136	(436)	71	214	270	152	100	111	101	70
Assets										
Property, Plant and Equipment	10 748	10 399	9 991	9 072	8 762	8 454	7 815	7 441	7 089	6 866
Less Accumulated Depreciation	3 447	3 241	3 042	2 834	2 609	2 407	2 217	2 054	1 899	1 778
Construction in Progress	475	378	356	388	275	188	176	221	274	222
Sinking Fund Investments	562	715	948	1 515	1 350	1 282	1 111	988	637	555
Current and Other Assets	1 571	1 652	1 981	2 264	2 188	1 175	981	1 021	1 032	872
	9 909	9 903	10 234	10 405	9 966	8 692	7 866	7 617	7 133	6 737
Liabilities and Retained Earnings										
Long-Term Debt	7 048	7 114	6 925	7 123	6 968	6 611	5 883	5 548	4 246	4 767
Current and Other	1 695	1 781	1 875	1 699	1 629	988	1 050	1 242	2 241	1 486
Contributions in Aid of Construction	296	274	264	281	281	275	267	261	191	130
Retained Earnings	870	734	1 170	1 302	1 088	818	666	566	455	354
	9 909	9 903	10 234	10 405	9 966	8 692	7 866	7 617	7 133	6 737
Cash Flows										
Operating Activities	433	(127)	432	554	334	374	366	297	273	265
Financing Activities	236	753	213	100	170	440	64	262	256	141
Investing Activities	666	650	629	638	521	856	507	532	455	373
Financial Indicators										
Interest Coverage ¹	1.25	0.17	1.14	1.42	1.62	1.35	1.23	1.25	1.23	1.16
Debt Ratio ²	0.85	0.87	0.80	0.77	0.80	0.83	0.84	0.86	0.88	0.91
Capital Coverage ³	1.20	(0.32)	1.10	1.67	1.18	1.28	1.22	1.13	1.12	1.00

¹ Interest Coverage represents net income plus interest on debt divided by interest on debt.

² Debt Ratio represents debt (long-term debt plus notes payable minus temporary investments) divided by debt plus retained earnings plus contributions in aid of construction.

³ Capital Coverage represents internally generated funds divided by capital construction expenditures.

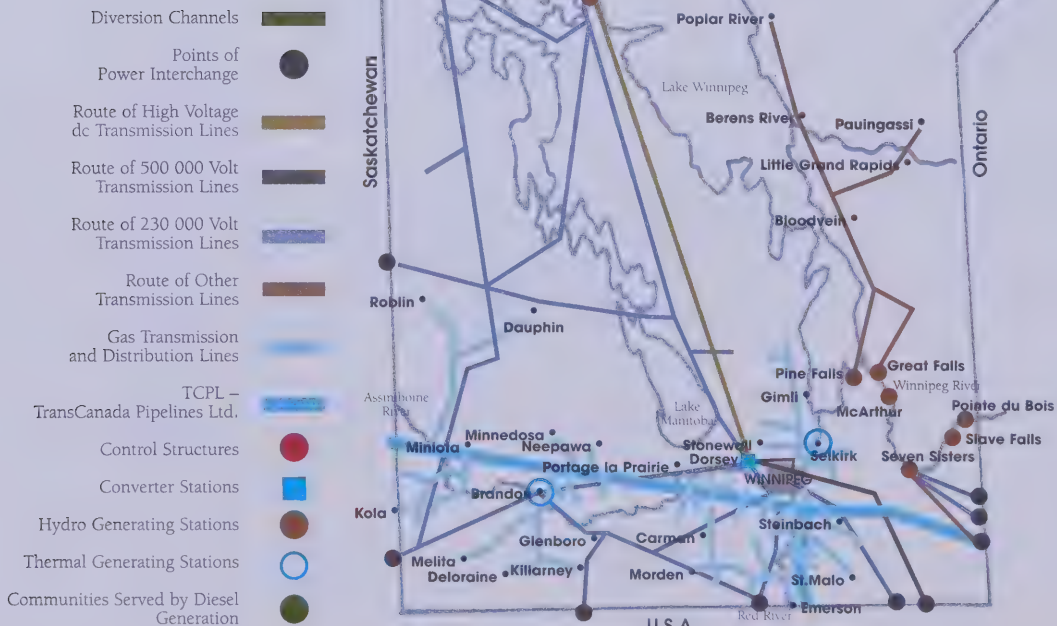
OPERATING STATISTICS

For the year ended March 31

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
System Capability										
Capability (000 kW)	5 470	5 471	5 466	5 230	5 210	5 116	5 137	5 137	5 343	5 343
Manitoba Firm Peak Demand (000 kW)	4 146	3 959	3 916	3 760	3 637	3 524	3 559	3 490	3 409	3 588
Percent Change	4.7	1.1	4.1	3.4	3.2	(1.0)	2.0	2.4	(5.0)	9.8
System Supply										
Total Energy Supplied (000 000 kWh)										
Generation	31 543	19 338	29 167	32 633	32 687	30 146	30 043	34 032	31 842	29 318
Scheduled Energy Imports	1 279	7 053	3 043	1 512	333	464	735	456	625	814
Isolated Systems	11	11	11	10	10	9	17	28	35	33
	32 833	26 402	32 221	34 155	33 030	30 619	30 795	34 516	32 502	30 165
Manitoba Load at Generation (000 000 kWh)										
Integrated System	22 350	21 907	21 965	20 519	20 123	19 101	19 398	19 095	19 249	19 024
Isolated Systems	11	11	11	10	10	9	17	28	35	33
	22 361	21 918	21 976	20 529	20 133	19 110	19 415	19 123	19 284	19 057
Percent Change	2.0	(0.3)	7.0	2.0	5.4	(1.6)	1.5	(0.8)	1.2	6.9
System Demand										
Energy Delivered (000 000 kWh)										
Residential	6 370	6 266	6 135	5 206	5 282	4 928	4 947	4 937	5 340	5 288
General Service	13 411	13 057	12 818	11 752	11 416	10 892	11 384	11 012	10 784	10 568
Manitoba	19 781	19 323	18 953	16 958	16 698	15 820	16 331	15 949	16 124	15 856
Extraprovincial	9 569	4 395	9 459	12 091	12 065	10 868	11 404	13 567	11 499	9 659
	29 350	23 718	28 412	29 049	28 763	26 688	27 735	29 516	27 623	25 515
Gas Deliveries (millions of cubic metres)										
Residential	681	653	714	645	699	626	-	-	-	-
Commercial / Industrial	917	893	980	899	974	887	-	-	-	-
Transportation	559	577	640	502	501	530	-	-	-	-
	2 157	2 123	2 334	2 046	2 174	2 043	-	-	-	-
Number of Customers										
Electric:										
Residential	442 840	438 953	435 507	355 473	353 297	352 618	349 710	345 847	343 197	340 567
General Service	62 826	62 697	62 218	50 062	49 743	49 405	49 153	48 481	48 204	48 067
	505 666	501 650	497 725	405 535	403 040	402 023	398 863	394 328	391 401	388 634
Gas:										
Residential	231 366	229 194	227 071	225 258	224 020	222 110	-	-	-	-
Commercial / Industrial	24 559	24 437	24 202	24 093	24 054	23 651	-	-	-	-
	255 925	253 631	251 273	249 351	248 074	245 761	-	-	-	-
Number of Employees										
Regular	4 398	4 389	4 399	3 862	3 904	3 806	3 277	3 113	3 021	3 124
Construction	1 098	1 006	966	899	797	866	836	868	905	859
	5 496	5 395	5 365	4 761	4 701	4 672	4 113	3 981	3 926	3 983

Major Electric and Gas Facilities

Province of Manitoba as at March 31, 2005



Source of Electrical Energy Generated and Imported

For the year ended March 31

Nelson River	75.81%
<i>Billion kWh generated</i>	24.9
Limestone	24.56%
Kettle	23.18%
Long Spruce	19.72%
Kelsey	5.33%
Jenpeg	3.03%
Winnipeg River	14.09%
<i>Billion kWh generated</i>	4.6
Seven Sisters	4.03%
Great Falls	3.09%
Pine Falls	2.20%
Pointe du Bois	1.77%
Slave Falls	1.59%
McArthur	1.41%
Saskatchewan River	4.82%
<i>Billion kWh generated</i>	1.6
Grand Rapids	4.82%
Laurie River	0.11%
Laurie River #1	0.06%
Laurie River #2	0.05%
Thermal & Imports	1.27%
<i>Thermal</i>	
<i>Billion kWh generated</i>	0.4
Brandon	1.25%
Selkirk	0.02%
Imports (scheduled)	3.90%
<i>Billion kWh</i>	1.3
Imports	3.90%

Generating Stations and Capabilities

For the year ended March 31

Interconnected Capabilities

Station	Location	Number of Units	Net Capability (MW)
<i>Hydraulic</i>			
Great Falls	Winnipeg River	6	133
Seven Sisters	Winnipeg River	6	165
Pine Falls	Winnipeg River	6	88
McArthur	Winnipeg River	8	55
Pointe du Bois	Winnipeg River	16	78
Slave Falls	Winnipeg River	8	67
Grand Rapids	Saskatchewan River	4	479
Kelsey	Nelson River	7	223
Kettle	Nelson River	12	1 220
Jenpeg	Nelson River	6	131
Long Spruce	Nelson River	10	1 010
Limestone	Nelson River	10	1 340
Laurie River (2)	Laurie River	3	10
<i>Thermal</i>			
Brandon		3	345
Selkirk		2	126

Isolated Capabilities

<i>Diesel</i>		
Brochet		3
Lac Brochet		2
Shamattawa		3
Tadoule Lake		1
Total Generating Capability		5 480



MANITOBA HYDRO-ELECTRIC BOARD



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General Counsel and
Corporate Secretary

KEN R.F. ADAMS, P. Eng
Vice-President
Power Supply



GLOSSARY

UTILITY TERMS

AECO: Alberta Energy Company. The company offers market-hub services.

Demand: The size of any load, expressed in kilowatts (kW), averaged over a specified period of time.

Distribution System: The wood poles, conductors, and transformers that deliver electricity to customers. The distribution system transforms high voltages to lower, more usable levels. Electricity is distributed at 120/240 volts (V) for most residential customers and 120 to 600 V for the majority of industrial and commercial customers.

Energy: The ability to do work. Electrical utilities sell electrical energy to their customers who, in turn, convert this energy into a desirable form-such as work, heat, light or sound. Electrical energy is measured in kilowatt hours (kWh).

Generator: A machine that converts mechanical energy-such as a rotating turbine driven by water, steam or wind-into electrical energy.

Natural Gas: A fossil fuel made from hydrocarbons stored millions of years ago when plants and other materials were buried in the earth's crust. Composed mostly of methane-a colourless and non-toxic substance-natural gas creates virtually no unburned particles or smoke to pollute the atmosphere. The products of combustion are chiefly carbon dioxide and water-the same products exhaled by the human body.

Peak Load: Record of maximum amount of electricity for the fiscal year measured at a specific moment in time.

Power Grid: A number of interconnecting electrical power systems linking together electrical utilities and covering a large geographical area.

Transmission System: The towers and conductors that transport electricity in bulk form from a source of supply to local areas for distribution or to the power systems of out-of-province electrical utilities. Electricity is usually transported via transmission lines in amounts ranging from 66 kV to 500 kV.



ACCOUNTING TERMS

Blended Forward Interest Rate Swap: An agreement between two parties to exchange predetermined fixed and floating interest rates on a specified notional amount of a principal debt or investment for a specified term. The fixed interest rate is a bond yield calculation based on the fixed interest rate of the existing debt or investment and the fixed interest rate of the forward interest rate swap.

Exposure Management Program: U.S. dollar hedging program used by the Corporation to offset U.S. dollar cash flows from debt, investments, and net exports to eliminate the impact of fluctuations in the U.S. dollar exchange rate.

Financial Instrument: Bonds, provincial advances, short-term promissory notes, temporary and long-term investments, and swap option and foreign exchange contracts.

Foreign Exchange Contract: An agreement to exchange a predetermined amount of currency on a specified future date at a specified price.

Forward Interest Rate Swap: An agreement between two parties to exchange predetermined fixed and floating interest rates on a specified notional amount of a principal debt or investment for a specified term, beginning at a future date.

Retained Earnings: Net accumulated earnings that a business has not distributed to shareholders.

Sinking Fund: A fund of cash and securities set up to provide for the orderly retirement of a debt.

Swap: An agreement between two parties to exchange cash flows at predetermined rates on specified notional amounts at specified future dates.

Yield: The average return of a debt or investment using a bond yield convention which recognizes the future interest payments, capital gains or losses, commissions, discounts, and premiums.

Weighted Average Yield Rate: The average return of debt or investment using the bond yield convention, weighted by the remaining term to maturity.

UNITS OF MEASURE

BTU: British Thermal Unit. The amount of energy required to raise the temperature of one pound of water one degree Fahrenheit, equaling roughly 1 000 joules.

Gigajoule: A measure of energy of natural gas equaling one billion joules. One gigajoule of energy is equivalent to that provided by approximately 278 kWh of electricity or 30 litres of gasoline.

Gigawatt (GW): The unit of electrical power equivalent to one billion watts or one million kW.

Joule: A unit of energy.

Kilovolt (kV): The unit of electrical pressure, or force, equivalent to 1 000 volts (V).

Kilowatt hour (kWh): The basic unit of electrical energy by which electricity is measured. For example, 10-100 W light bulbs switched on for one hour equals one kilowatt hour (1 000 W for one hour).

Megawatt (MW): The unit of electrical power equivalent to one million watts, or 1 000 kilowatts (kW).

Manitoba Hydro-Electric Board 54th Annual Report
For The Year Ended March 31, 2005

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